

FINANCIAL TIMES

Start
the week
with...



Motivation
*Not by bread
alone*

Samuel Brittan, Page 16



Dateline
*Of obelisks and
empires*

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Advertising
*Spoof political
campaigns*

Allison Smith, Page 12

World Business Newspaper <http://www.FT.com>

MONDAY APRIL 7 1997

Netanyahu brings Mideast impasse to Washington

The presence in Washington of two top Palestinian negotiators at the same time as Israeli prime minister Benjamin Netanyahu fuelled speculation about a fresh round of US-sponsored negotiations as President Bill Clinton tried to end the impasse between Israel and the Palestinians over the issue of Jewish settlement in east Jerusalem. Page 18

Single market fosters job flexibility, study says

The European Union's single market has brought more diversity in wage bargaining and encouraged greater employment flexibility in member countries, according to an unpublished study carried out for the European Commission. Page 6

Glaxo Wellcome, the drugs company, has had its monopoly grip loosened on the ulcer drug Zantac, the world's best-selling medicine. The US Court of Appeals ruled that Canadian rival Novopharm can produce a generic version of Zantac when Glaxo's patent expires at the end of July. Page 19

Knight-Ridder, the US information group, has staked its future on the daily newspaper sector by spending \$1.5bn for four dailies that had been acquired by Walt Disney in its takeover of Capital Cities/ABC. Page 19

USA Global Link, a company credited with innovative, often controversial, ways of cutting the cost of international telephone calls, is planning a flotation later this year that could value the company at between \$30n and \$60n. Page 19

Companies flocking to BVI: The British Virgin Islands was the fastest growing centre for offshore company registrations last year, and on current trends should outstrip Panama as the leading offshore registry by 1999. Page 18

Pinault Printemps Redoute, the French retailing group, plans to sell financial services, intensifying competitive pressures on the country's banks and insurance companies. The group, which controls leading shopping chains such as La Redoute and the FNAC books and records network, is preparing to launch a wide-ranging campaign early next year. Page 19

Astronauts ordered home: NASA ordered astronauts aboard the space shuttle Columbia to return tomorrow, 12 days earlier than planned, because of a weakening electric generator. Page 19

Yeltsin to curb favoured banks: Russian president Boris Yeltsin is to sign a decree that will sharply restrict the privileges of "authorised" commercial banks whose right to handle government funds has formed the basis of many new private fortunes. Page 2

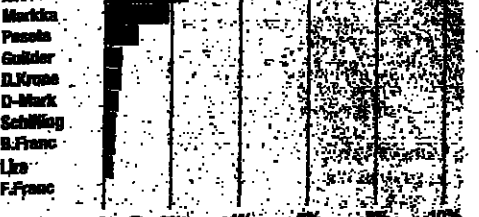
Telford, the joint venture by British Telecom and the Dutch state rail company, says high interconnection fees may force it to reconsider its investment in a basic telephone service to compete in the telecoms market in the wake of the privatisation of the former state telephone monopoly. Page 2

Algerian death toll rises: An estimated 60 civilians were murdered as billions of Algerians fled the south and south-west of Algiers, according to newspaper reports. Page 2

HK looks into visa fraud: The senior US immigration official in Hong Kong has been placed on administrative leave, and he and his wife have been interviewed in connection with a probe into visa and immigration fraud, officials said. It is believed to involve visas for mainland Chinese to enter the US. Page 4

Grand National to be run today: Britain's Grand National steeplechase was rescheduled for this afternoon while criticism was directed at the Irish Republican Army for the telephone bomb threats that cancelled the horse race on Saturday and forced the evacuation of 60,000 people from the Aintree course. Page 2

European monetary system: The Italian lira pulled itself off the bottom of the EMS grid last week, moving 0.32 per cent above the French franc, which replaced it. The Irish punt's slow slide against the Ecu continued, but the punt remains by far the strongest currency in the system. Currencies, Page 25



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Finance minister retreats over single currency entry criteria

Germany softens its stance on Emu rules

By Lionel Barber in Noordwijk

Mr Theo Waigel, Germany's finance minister, has retreated from his rigid stance that countries qualifying for European monetary union must hit a public deficit target of 3 per cent of gross domestic product.

At the weekend meeting of EU finance ministers in Noordwijk in the Netherlands, Mr Waigel shifted to the more flexible approach permitted in the Maastricht treaty, which allows a positive trend toward the target. "I have never nailed myself to the cross of three per cent," he declared.

Mr Waigel's remarks would allow Germany, still struggling to reduce its deficit amid slow growth and record unemployment, a margin of error in hitting the Maastricht target.

Coming days after Chancellor Helmut Kohl announced he was running for a fifth term, Mr Waigel's remarks would go ahead on schedule on January 1, 1999, the remarks dampened speculation about a delay.

Mr Waigel's earlier insistence that "three per cent is

three per cent" was intended to reassure a sceptical German public that Bonn would not fudge the entry criteria to allow weaker economies to join Emu.

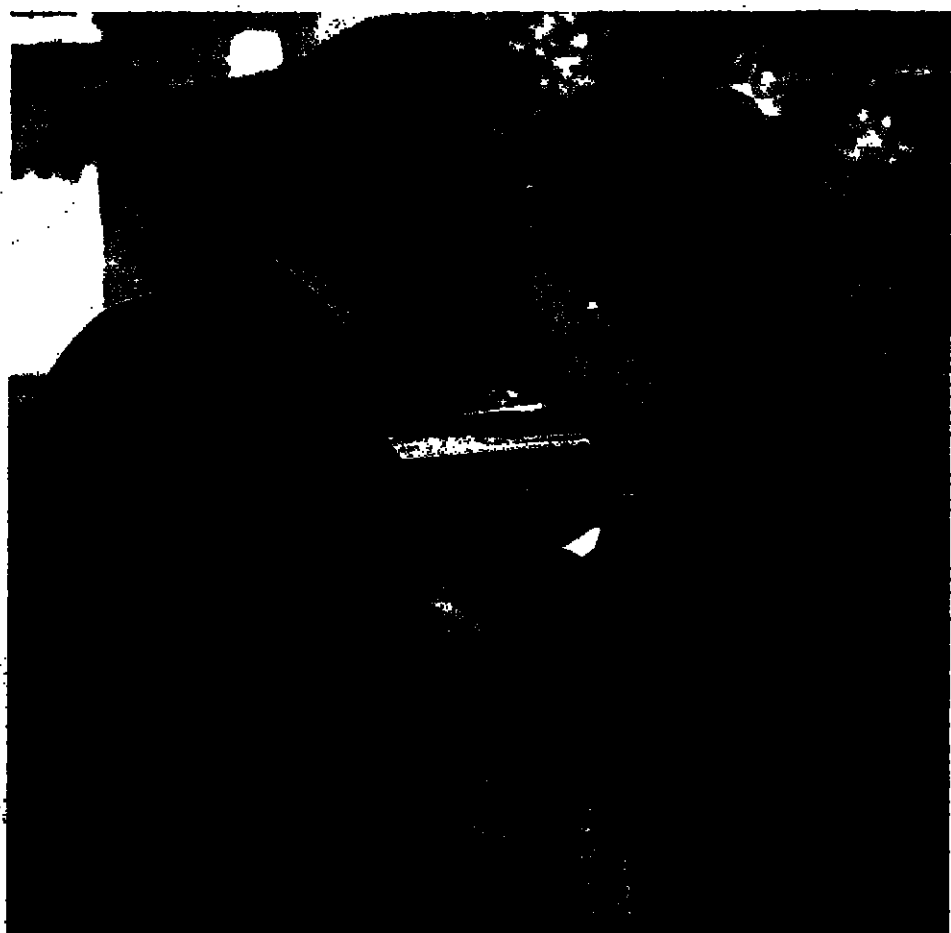
Germany is adamant that Emu can only go ahead with countries showing a "sustainable convergence", but Mr Waigel signalled that Bonn is preparing other arguments in favour of monetary union.

"I don't like to accentuate the negative, but you must say what happens if Emu goes wrong."

"It would damage the German economy, hurt German exporters, and there would be a flight into the D-Mark," he said.

EU finance ministers also agreed to select the first batch of single currency members around the beginning of May next year.

Ministers also agreed on the stability and growth pact to enforce fiscal discipline among members of the single currency or euro zone, as well as a remodelled exchange rate mechanism linking the euro to non-participating countries.



UK premier John Major, who was outflanked by Labour policy on Emu, with former British prime minister Margaret Thatcher in London yesterday

The most contentious issue was how to handle penalties for euro zone countries running "excessive" deficits beyond three per cent of GDP.

These penalties would initially take the form of a deposit at the European Central Bank which could be converted into fines after two years. Germany - supported by the Dutch hosts - insisted that fines should be applied

cumulatively and distributed to euro zone members.

Southern countries preferred to set an absolute ceiling of 0.5 per cent of GDP, with the money distributed to the EU budget.

The compromise is that the maximum penalty in any one year should be 0.5 per cent. In the first year, the fine would comprise a fixed portion of 0.2 per cent and a variable portion

of 0.1 per cent for every percentage point above the 3 per cent threshold. If the deficit persists, the fixed fine of 0.2 per cent would be dropped, but additional sanctions would still be levied up to a possible ceiling of 0.5 per cent.

Emu pact, Page 2; Election news, Page 6; Labour 'will not join Emu before 2002', Page 18; Lex, Page 18

Bre-X gold affair stalls mining issues

By Kenneth Gooding in London and Scott Morrison in Vancouver

Several North American mining exploration companies have put off raising much-needed finance after the slide in mining share prices because of the Bre-X controversy.

Doubts were raised 12 days ago about Bre-X's claim to have discovered the world's biggest gold deposit in Indonesia, and panic selling wiped more than \$20n from the Canadian exploration company's stock market value.

Yamana Resources, a small US mining company, hoped to raise \$40m (\$25.5m) in Toronto with an issue underwritten by CIBC Wood Gundy last week, but cancelled.

"We are a casualty of the Bre-X fall-out. It hit us hard," said Mr Victor Bradley, president of Yamana, which has rights to properties near Bre-X's Buzang deposit in Indonesia.

"For us to have continued with that financing would have been just like whistling Dixie."

Sur American, a Canadian company, is another casualty and has abandoned plans to raise \$35m. Mr Rennie Blair, president, said: "The investment institutions at the moment are undoubtedly gun-shy. An awful lot of money has been lost."

Also halted was an initial public offering by Pacific Goldfields, an offshoot of Moska-tharra Minerals of Australia

with Indonesian prospects. This was to be underwritten by Toronto-Dominion Securities.

"Any mining company attempting to raise money at the moment meets with mistrust from private investors, while the specialist mining trusts are facing an outflow of cash," said Mr Jon Berghell, director and head of mining at HSBC Investment Bank.

The Bre-X controversy has sparked a sell-off of mining shares. Withdrawals from specialist mining investment trusts are forcing them to sell shares in big mining groups to raise cash quickly.

Mr Berghell said that although the situation would improve for mining groups generally in a month or two,

the worst might not be over. Speculators have been betting that Bre-X's deposit might have substantial amounts of gold - if not the 71m ounces once claimed by the company. If Buzang ultimately proves to have little gold, a second crash could further shake investor confidence.

Some analysts warned that

junior exploration companies might have to turn joint ventures with bigger partners before attempting to raise money on Canadian markets. He believed the Bre-X affair would also help shift emphasis from Toronto, which had become the pre-eminent market for raising mining money, back to London.

Observers, Page 17

Continued on Page 18

US is facing battle over Freeman's heir at EBRD

By Anthony Robinson, East Europe Editor

A power struggle between the US and the Europeans is unfolding at the European Bank for Reconstruction and Development over the successor to Mr Ron Freeman, the bank's senior first vice president, who is expected to announce his resignation this week.

"The US government, whose 10 per cent stake makes it the bank's largest single shareholder, is pressing for Mr Freeman to be replaced by another Wall Street banker."

But European shareholders of EBRD are fighting to preserve the predominantly "European" character of the bank, which was set up in 1991 to facilitate the transition of former communist countries to capitalism.

They want a European to follow Mr Freeman, a 57-year-old

former Wall St banker who joined EBRD at its launch six years ago.

When the bank was set up, at the original suggestion of Francois Mitterrand, the late French president, the biggest shareholder groups agreed on a compromise deal.

This settled on London as the location for the new bank but also agreed that a Frenchman, Mr Jacques Attali, should be the first president.

Mr Freeman was chosen as one of two vice presidents in charge of the investment banking activities and Italy's Mr Mario Sarcinelli was put in charge of the development banking operations.

It was also decided that at least 60 per cent of the bank's activity should be concentrated on the private sector.

But this division of functions was abolished in 1993 when Mr Attali was forced to resign after criticism over his lavish

reimbursement of the bank's operating expenses.

Mr Freeman subsequently combined both operations, which strengthened the American position in the bank.

Mr Attali was replaced by Mr Jacques de Larosiere, a former president of the International Monetary Fund, who is due to retire in September.

However, he has been asked by the European Union's 12-min committee of finance ministers to stay on for a second term. Mr de Larosiere has not yet decided whether to accept, but has made known that he will certainly stay until his contract expires.

Mr de Larosiere is expected to present the names of suggested candidates for Mr Freeman's position at an informal meeting of the board tomorrow, and a decision is expected before the EBRD meets for its AGM in London on April 12.

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April 1997

Europe urged to copy US business approach

By Stephanie Flanders

Europe has a grim future ahead if politicians and business leaders fail to boost competitiveness and foster individual responsibility, a survey of European business leaders will warn this week.

Eurostudy, published by the Performance Group, a business strategy consultant in collaboration with *Fortune* magazine, is based on lengthy interviews with business leaders from all over Europe. In it, the list of business groups and others calling for Europe to adopt more flexible, US-style approach to business and government.

The language is apocalyptic. Europe is said, unusually, to be "standing on the edge of a cliff," "aware of the time," "not aware of the rules of the game" and "about to lose its leading position in the world economy". The descriptions, however, contain little that has not already been endorsed by the European Commission and many individual governments, including moves to increase labour market flexibility and increase cross-border competition.

A more novel feature of the report is its emphasis on leadership, or rather its absence. Many of the comments of respondents, chief executive officers or presidents of leading European companies, reflect deep frustration with politicians' failure to rally public support behind this, or any other vision of Europe's future.

The report says the "single market" is no longer sufficient for an Europe, while others replace it with the time a Europe of one comes. Leaders are urged to be "wasting" "tremendous amounts of energy" in short-term, crisis response to solve the "acute" of Europe's problems, the root causes are never addressed.

Surprisingly, the critics endorse Europe Commission proposals for coordinated investment, transport and telecommunications infrastructure. It is the spirit of the report, the spirit of the state's role in regulation, industry and providing for social benefits.

The report claims a growth of the size of the state during the second half of the 20th century has brought a decline in economic freedom. It says European companies are not paying a price in the past market place for this lack of freedom, pointing out that third of European companies had a smaller turnover in 1995 than in 1980.

The same pessimism is reflected in the results of follow-up surveys of points which showed that three quarters of respondents expected the European economy to grow between 2 and 3 per cent a year, on average, in the year 2000. This compares with a forecast of 4 per cent a year.

Few expect the near market growth performance to be achieved, and most expect that the growth of the economy will be slower than in the previous four

Zairean rebel takes hard line

By Michaela Wrong in Goma

Prospects of a successful outcome to peace talks taking place in South Africa between the Zairean government and a rebel alliance looked increasingly distant yesterday as Mr Laurent Kabila, the rebel leader, insisted that all progress was conditional on President Mobutu Sese Seko's resignation.

Interviewed in Mr Mobutu's former island palace in Goma, the head of the Alliance of Democratic Forces for the Liberation of Congo-Zaire (ADF), said the ceasefire requested by an increasingly desperate government side depended on the leader he described as "the butcher" of Zaire stepping down.

"The aim of the negotiations is that Mobutu must relinquish power, that is clear. That is what we are negotiating," Mr Kabila told foreign journalists at his base in the occupied zone.

His hardline stance was in contrast to his weekend decision to allow the shift of 100,000 Hutu refugees stranded south of Kisangani, said to be dying of malaria and malnutrition at the rate of 120 a day. After talks on Saturday between Mr Aldo Aielo, European Union special envoy, and Mr Emmanuel Kanyemba of the ADF, United Nations officials yesterday began organising the shift.

However, Mr Kabila's position on the departure of Mr Mobutu - suffering from prostate cancer after 32 years at the helm - remains unwavering. It cast a pall over the peace talks which opened in a strained atmosphere in Pretoria yesterday, the first direct contacts between the two sides.

Citing growing concern about the fate of the refugees trapped south of the rebel-held eastern town of Kisangani, western governments last week put intense pressure on the ADF to institute a ceasefire in the five-month civil war.

Yesterday, in an implicit attack on the French government, which started calling for international action late last year, Mr Kabila accused the international community of trying to use the refugee issue as a pretext for a humanitarian intervention.

"It was manipulation of the situation. They wanted to accuse the alliance of letting people die. There are people who have been interested in (a humanitarian intervention) since the start."

And Mr Kabila made it clear that in spite of the start of the talks in Pretoria his fighters were doing nothing to break their advance, which has left them in control of a third of the country. After seizing the diamond town of Mbuji-Mayi at the weekend, his forces were now "very close" to the copper capital of Lubumbashi, approaching on several fronts, he said.

In an additional blow for the Zairean army, he claimed that Katangan fighters recruited by Kinshasa to fight the rebels had swapped sides and were now in control of Lisala on the Zaire river, cutting off the military's line of retreat westwards. The loss of Mbuji-Mayi and the expected fall of Lubumbashi represent two crippling blows for the government, depriving Kinshasa of taxes on mineral revenues while providing the cash-strapped ADF with a valuable source of income.

US faces hard Israeli-Palestinian choices

Judy Dempsey and Bruce Clark on whether to patch up the Oslo accords or go for 'final status'

As the US struggles to breathe fresh life into a critically ill Middle East peace process, it faces a hard choice: whether to press on with the intricate procedure launched in Oslo four years ago, or take up the Israeli proposal of early talks on the region's "final status".

Getting the procedure right could make the difference between success and disastrous failure, diplomats say.

Under the Oslo process, which has gradually passed from Norwegian to US tutelage since its terms were clarified in 1995, talks on the final status for Israeli-Palestinian coexistence are supposed to come towards the end of a complex web of negotiations.

At the last count, there were at least 34 separate issues outstanding in the Oslo process - ranging from the freeing of prisoners to the opening of a port and airport in Haifa, and the creation of a corridor between Gaza and the West Bank.

The need to shore up the Oslo negotiations has already forced US negotiators to involve themselves with the finest details of peace-brokerage. For exam-

ple, January's US-brokered accord on withdrawal of Israeli troops from Hebron lays down to the nearest metre the width of pavements which should be constructed on a particular street.

The latest US-sponsored agreement on procedure calls for final-status talks, covering Israel's borders, the future of Jerusalem and the fate of Palestinian refugees, to be concluded by 1999. The Palestinian side is

refusing even to begin these talks on grounds that the Israeli side is creating new facts on the ground with the bitterly contested Har Homa settlement project for Jews in east Jerusalem.

But Mr Benjamin Netanyahu, the Israeli prime minister, is seeking US support for an all-out effort to reach a final peace within six months - possibly culminating in a snap-or-break negotiating session similar to the Camp David talks of 1978.

Supporters of the proposal argue that unless the peace process is accelerated, the US will continually be called in to fight diplomatic fires. Some observers believe that regardless of who leads Israel, the Oslo process was always destined to become harder for the US to sustain as it dealt with ever more sensitive issues. "We have reached an impasse because both sides need US help to enable them to break out of an impasse."

Mr Martin Kramer, a political scientist at Tel Aviv University, "It is about dividing territory."

In recent days, US officials have stressed that they do not regard the Oslo process as dead - but they have also hinted that they are about to launch a spectacular new initiative, which may include a new approach to procedure.

If Washington has a trump card, it may be the fact that both sides need US help to enable them to break out of an impasse.

Israeli observers say Mr Netanyahu cannot back down over the Har Homa project because his national coalition partners would desert him, and he would be seen to have caved in to Palestinian pressure and violence.

Nor can Mr Yasser Arafat, the Palestinian leader, soften his opposition to the Har Homa project, given the enormous support he has won over the issue throughout the Arab world.

If the US can find the right formula for final-status talks, and see a good chance of success, it may use this new procedure as a way to break out of the current deadlock, US and Israeli analysts believe.

But Washington will need to find a way of assuring the Palestinians that final-status talks are more than a trick for locking in Israel's current advantages on the ground - or for avoiding the Israeli concessions that are envisaged under Oslo.

As a minimum, the US must search for ways to boost Palestinian confidence - for example, by securing the construction of more Arab homes in Jerusalem, or progress on transport links for Gaza.

Mr Netanyahu's credibility in Palestinian eyes had been undermined by its veto of a UN resolution criticising the Har Homa project.

Mr Kramer predicts that "when push comes to shove, the US will go for final status, but only if it is certain it is achievable."

Whether the US is prepared to embark on that high-risk strategy should emerge rapidly from this week's visit to Washington by Mr Netanyahu.

peace process while Mr Netanyahu remains in power and instead opted to try to manage the crisis.

The crisis centres on the Har Homa settlement at Jabel Abu Ghneim in south-east Jerusalem, because it completes the Israeli enclosure of Arab Jerusalem, which was to be negotiated as the last stage of the Oslo peace framework agreed in 1993.

Mr Netanyahu said Egypt would back a modest US plan to move new talks on "final status" issues - which apart from Jerusalem include settlements, borders and Palestinian refugees - if US mediation established fair conditions including a halt to Har Homa and all settlement building, and continuing Israeli troop redeployment from the West Bank.

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MOUSSA INSISTS ON A BALANCED FORMULA

The whole Middle East will be destabilised unless the US gets Israel to accept a balanced formula for resuming peace negotiations with the Palestinians, which must include a freeze on all Jewish settlement building in occupied Arab east Jerusalem and the West Bank, according to Mr Amr Moussa, Egypt's foreign minister, David Gardner and Mark Hobson write from Cairo.

Mr Moussa, who is understood to have been in close contact with Mrs Madeleine Albright, US secretary of state, said in an interview with the FT: "I trust that the Americans... will come up with a balanced formula."

"If this formula doesn't command the support of everybody in the region from my point of view," he said, then there would be "very serious problems".

Failure would "lead to destabilisation throughout the region" and would be "very serious for all of us".

In common with other pro-western Arab regimes such as Jordan and Saudi Arabia, Egypt fears that continuing Israeli colonisation of Arab Jerusalem, holy to Muslims as well as Jews and Christians, will hand the initiative to Islamic fundamentalists.

"If we leave [the issue of Jerusalem] other people will take it in their hands, with violence, and that won't be confined to this region."

The 22-nation Arab League last week decided in Cairo to start rolling back diplomatic and trade links with Israel, feeling that Washington has abandoned hope of advancing the

peace process while Mr Netanyahu remains in power and instead opted to try to manage the crisis.

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80 die in Algerian massacres

By Mark Hobson in Cairo

Algeria has suffered one of its bloodiest outbreaks of violence during two days of slaughter which left around 80 civilians dead, two Algerian newspapers reported yesterday.

Killings armed with axes, chainsaws, hammers, knives and Kalashnikov assault rifles attacked villages to the south and south-west of Algiers last Thursday and Friday, the El Watan and Liberté newspapers reported.


In one of the worst single attacks of Algeria's five-year civil conflict, 52 people were killed in the village of Thalit, 45km south-west of Algiers. In a separate attack at Amrouche village, 30km south of Algiers, 15 people were hacked to death.

The assaults broke into seven houses and cut up 15 people, including seven women and three children, with a chainsaw, said one witness. "My neighbour hit under a car but was spotted. They set fire to the vehicle and he couldn't get out. He died there," the witness said.

A third attack took place at Sidi Naamane, in Tizi-Ouzou province, 60km east of Algiers, where it was reported five people had their throats cut. Another attack left four members of the same family dead with their throats cut near the coastal town of Mostel, 20km west of Algiers, while another bout of slaughter left car drivers dead after being shot at a checkpoint at Beni Slimane, 60km south-east of Algiers.

The apparently co-ordinated attacks may have been in response to the deaths of up to 200 people, as attached to the Islamist militant group in the south with the backing of Islamist Tizi-Ouzou has been said.

The security forces have launched several operations against cells of the armed militant groups, in an effort to encourage the country's terrified population to vote in a June 5 general election.



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NEWS: ASIA-PACIFIC

US link in HK immigration fraud probe

By John Ridding in Hong Kong

The senior US immigration official in Hong Kong and his wife are under investigation in connection with a probe into visa and immigration fraud, officials said yesterday.

A statement by the Independent Commission Against Corruption (ICAC) confirmed it was carrying out a joint investigation with the inspector general of the US Justice Department into allegations of corruption and abuse of authority.

The case concerns Mr James DeBates, the acting officer in

change of immigration and naturalisation services (INS), and his wife Hedy, a US citizen of Chinese origin. Although officials in Hong Kong declined to provide further details, it is thought to involve a widening international probe into the smuggling of illegal immigrants from China to the US.

Last year, a senior US immigration official was imprisoned for 40 months after being arrested in Hong Kong in possession of forged Honduran passports. Mr Jerry Wolf Stuchiner, then head of the INS in Honduras, had previously worked with the US immigration depart-

ment in Hong Kong. He was accused of being part of an international network selling Honduran passports to citizens of Hong Kong, Macao and China, enabling them to travel and settle in the US.

A spokesman for the ICAC declined to comment on whether the investigations were connected and whether the probe into Mr DeBates concerned the smuggling of Chinese immigrants to the US. He said the inquiries were continuing and were being conducted the full knowledge and co-operation of the US Consulate General in Hong Kong.

Mr Stuchiner is reported to have requested recently to be transferred from his prison to ICAC custody.

Mr Stuchiner is said to be helping officials with their probe.

His transfer, at his own request, could reflect concerns that he might face additional punishment or be forced to reveal confidential information after the return of Hong Kong to Chinese sovereignty on July 1.

At his trial, Mr Stuchiner testified that he had been part of Operation Yellowbird, a covert operation which helped political

dissidents to flee from China.

According to Hong Kong officials, Mr DeBates was questioned by the ICAC and released. His wife was interviewed because of suspected involvement in Mr DeBates's duties and was released on bail last month.

The smuggling of illegal immigrants from Asia into the US has been a growing concern for Washington.

Estimates indicate that several thousand illegal aliens are smuggled into the US from Asia each year, in an illicit trade worth more than \$2bn each year.

Thailand makes a big pitch for bond

By Ted Bardecks in Bangkok

Thai authorities will today mount a big effort to regain international investor confidence in their battered economy when they begin a four-day US road show to launch a \$500m Yankee bond.

Led by the finance minister, Mr Amnuay Viravan, and the central bank governor, Mr Rongchai Marakond, the officials will seek to convince investors that recent measures to restructure the debts of failing property developers and provide liquidity support for ailing financial institutions have eliminated the risk of short-term financial meltdown - worries that were endemic just a month ago.

At the same time, they will argue that long-overdue structural changes to the Thai financial system and economy, beginning with last week's plan to merge most of the country's finance companies, are being pursued.

Proceeds from the bonds, underwritten by Lehman Brothers and Salomon Brothers and likely to be issued in two tranches of 10 years and 30 years, will go towards funding the investment needs of state-owned enterprises. Standard & Poor's rates Thailand's long-term sovereign debt single-A in a rating that was reaffirmed just last month.

But Mr Amnuay says the advantage of launching the bonds now is more intangible. "There's been a lot of headline news lately, good and bad," the finance minister says. "If we want to convince the market that they should invest in Thailand, then we should go out and talk to them."

If the bonds are launched at an acceptable price this may encourage Thai state enterprises to return to international markets on their own, using the funds to retire local currency debts.

Rubin in Hanoi to sign debt deal

By Jeremy Grant in Hanoi

Mr Robert Rubin, the US treasury secretary, is expected today to sign a debt rescheduling agreement with Vietnam under which Hanoi will repay Washington \$145m owed by the former South Vietnam to the US.

Mr Rubin, who arrived in Vietnam's capital last night on a two-day visit, is Washington's highest ranking official to visit since Mr Warren Christopher, former secretary of state, opened the US embassy in Hanoi in 1993.

The trip comes as the two former enemies are edging closer to full economic normalisation. In spite of decades of enmity following the Vietnam war.

Hanoi agreed to assume the debts of the former US-backed Saigon regime in 1993, when it committed itself to repaying a raft of other multilateral debts. The Saigon debt stems from soft loans used to pay for roads, power projects and grain shipments at the height of the conflict.

The signing is yet another step in a delicate process that has sometimes frustrated Hanoi, which feels the pace has been too slow.

Hanoi is eager for Most Favoured Nation trading status as this would unlock the huge US market to its exports, easing pressure on its ballooning trade deficit. Officials say that could hit \$1.1bn in the second quarter of this year, after reaching \$4bn in all of 1995.

A report in the semi-official weekly Vietnam Investment Review said yesterday that Chrysler, the US carmaker, was pulling out of Vietnam. It said Chrysler would announce its withdrawal from a planned \$192m vehicle assembly plant this month. Although no reason was given, analysts suspect it is because of overcrowding in the market, which they say is too small to sustain 14 licensed foreign vehicle makers.

Land ruling raises heat in the Outback

Cattle farmers, packing a conference room in Rockhampton, heart of Australia's beef industry, struggle to understand whether Aboriginal land claims may affect their livelihoods.

Their questions are practical, anxious - and, in many cases, unanswerable.

Could land be claimed on the basis of a spiritual association, rather than physical occupation, asks one farmer at the meeting. Will their livestock have unfettered access to water courses and stock routes, asks another.

Such uncertainties have ricocheted round the Australian bush since late December. That was when the High Court, Australia's peak judicial authority, handed down a surprise ruling that land over which a pastoral lease had been granted could still be subject to a successful native title claim.

About 40 per cent of Australia's vast land mass falls into this category, and the agricultural sector employs about 380,000 people. So, for the first time since the country began to develop a land regime acknowledging Aboriginal occupation, many "ordinary" Australians would be affected.

The subsequent furor would be hard to overstate. Politically, it has threatened to divide the federal coalition of the National party, with strong "Outback" roots, and the more urbanised Liberal party.

Mr John Howard, the prime minister, promised

Cattlemen in Australia fear for their livelihood after a controversial High Court judgment in favour of Aboriginal rights. Nikki Tait reports

Native title claimant application areas



On June 1992, High Court ruled that Australia's common law recognises native title rights in land. Indigenous peoples have maintained their connection to the land.

On Dec 1993, federal parliament passed the Native Title Act, setting up procedures for processing native title claims, and seems to imply that native title claims can succeed on freehold land. Situation on pastoral lease land is unclear.

On Oct 1995, High Court ruled that native title holders on a 124 hectare piece of Crown land in New South Wales - that recognition of native title on Australia's mainland. The \$100-million compensation for returning part of the land to the state government for housing development.

On Dec 1996, High Court ruled that native title can co-exist with pastoral leases.

clarification of the government's stance on his return from a visit to China. He has described the issue as the hardest encountered during his first year in office "because it involves a clash of passionately held views".

The High Court's ruling - made in the context of claims by the Wik and Tharoor peoples over land in northern Queensland - stems from imprecisions in the landmark Native Title Act, passed four years ago.

This swept away the notion that Australia was uninhabited before European settlement. Instead, Australia's estimated 270,000 Aborigines were given a procedure for asserting native title rights.

At the time, politicians suggested that claims would probably only succeed on vacant "Crown" land. But the act was less precise about where claims could be lodged. In particular, it did not clarify whether the past grant of a pastoral lease automatically extinguished native title rights.

Farmers took comfort from a preamble to the act, which seemed to bracket pastoral leases with freehold land, suggesting that both were immune to claims. For about 18 months, Australians generally worked on this assumption.

But, in reality, Aboriginal communities had retained the right to test the issue in the courts. "The truth is that we insisted with the federal government that we have our day in court with respect to co-existence" on pastoral leases, says Mr Noel Pearson, an Aboriginal lawyer and one of the main negotiators in 1993.

The Wik claim became the test case. It was referred to the High Court, which scrutinised the history and

nature of the leases and decided that these did not give their holders exclusive possession of the land. That, in turn, meant that native title could co-exist - and Aboriginal claims over such land could be registered.

Many Aboriginal activists think the subsequent furor is an overreaction. The ruling does not mean pastoralists risk losing their land, for example. The High Court was also emphatic that pastoralists' rights should take precedence over native title holders if there was any inconsistency.

But, at a practical level, the farmers' anxieties are more understandable. The ruling does raise questions over just what they can do on their leasehold land without consulting Aboriginal claimants - and vice versa.

And it is not just pastoralists who are affected. Many potential mining projects are also situated on pastoral lease land. Some companies had hoped that if pastoral leases automatically extinguished native title, they, too, would be spared the time-consuming "right to negotiate" procedures set out in the Native Title Act.

The federal government's task is to resolve these uncertainties - and it is not proving easy. The National Farmers' Federation maintains that federal parliament should simply overrule the High Court, and say that pastoral leases do, indeed, extinguish native title.

The problem is that federal legislation on these

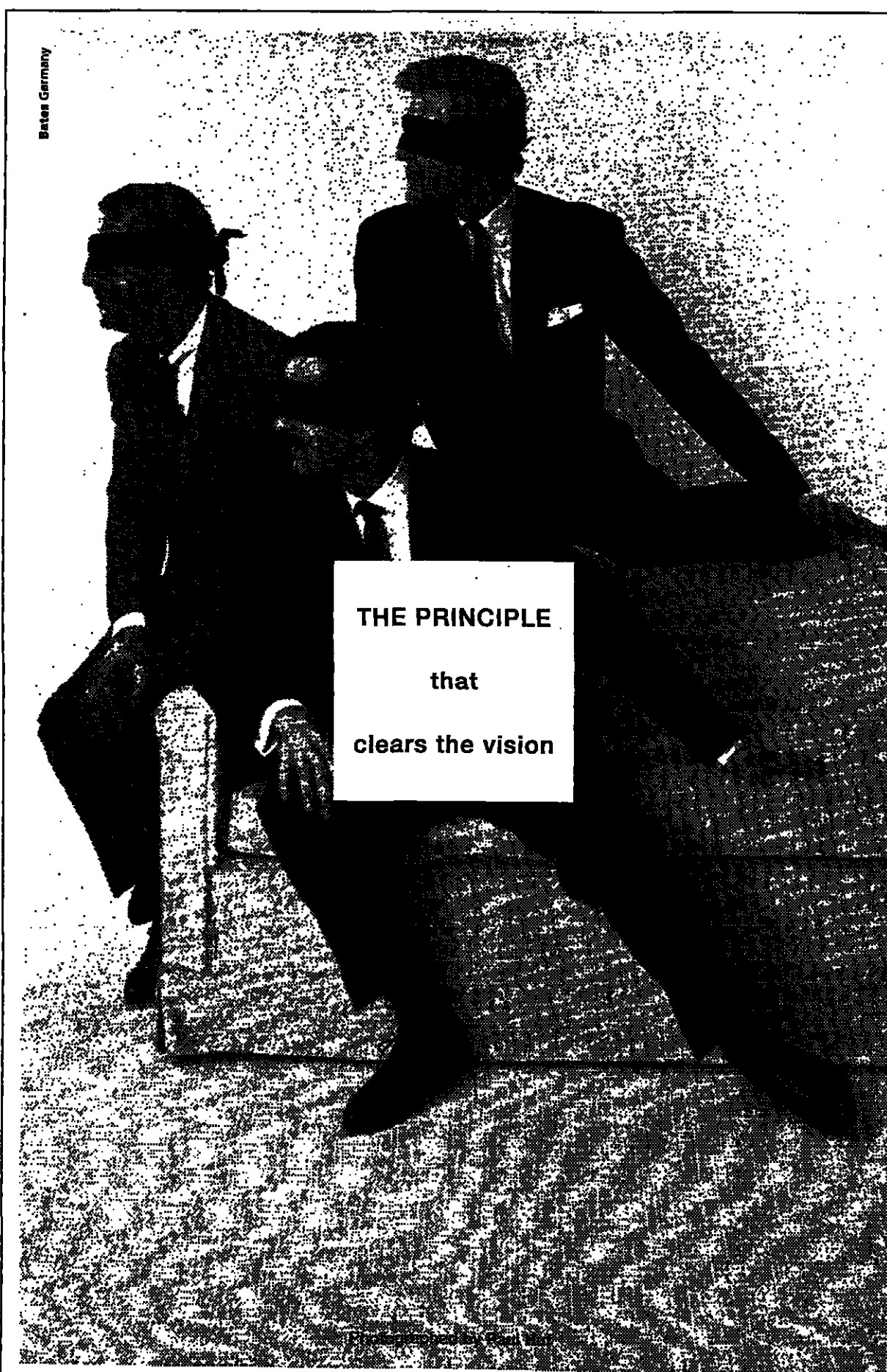
lines could run contrary to Australia's racial discrimination laws. That, in turn, could generate more lengthy High Court action - and, probably, international criticism.

At a more pragmatic level, legal extinguishment could expose the federal government to large compensation payments. As Father Frank Brennan, a Jesuit priest and lawyer closely involved with land rights, put it recently: "Potentially, you're talking about 40 per cent of the freehold value of Australia."

The main option is to find an agreed solution. One suggestion is that the rights of pastoralists and native title holders could be split out - or "codified" - so that both sides know what actions are automatically permissible (building dams, say, or visiting sacred sites).

Anything beyond these parameters would be subject to negotiation or court determination. Legislation to tighten up the workings of the Native Title Act - planned before the Wik decision - would also go ahead.

At a political level, the prime minister has hinted that this is his preference, a stance which wins tentative Aboriginal support. Mr Pearson, for example, accepts that operational aspects of the act could do with some improvement, but is emphatic that racial discrimination principles should not be breached. If they are, he warns: "That small point will be a source of everlasting grievance."



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DG BANK

Rubin in Hanoi to sign debt deal

By Jeremy Grant in Hanoi

Mr Robert Rubin, the US treasury secretary, is expected today to sign a debt restructuring agreement with Vietnam under which Hanoi will repay Washington \$1.65bn owed by the former South Vietnam to the US.

Mr Rubin, who arrived in Hanoi on a two-day visit, is scheduled to visit since Mr Warren Christopher, former secretary of state, opened the US embassy in Hanoi in 1995.

The trip comes as the two former enemies are edging closer to full economic normalisation, in spite of decades of enmity following the Vietnam war.

Hanoi agreed to assume the debts of the former US-backed Saigon regime in 1993, when it committed itself to repaying a raft of other multilateral debts. The Saigon debt stems from soft power projects and grain shipments at the height of the conflict.

The signing is yet another step in a delicate process that has sometimes frustrated Hanoi, which feels the pace has been too slow.

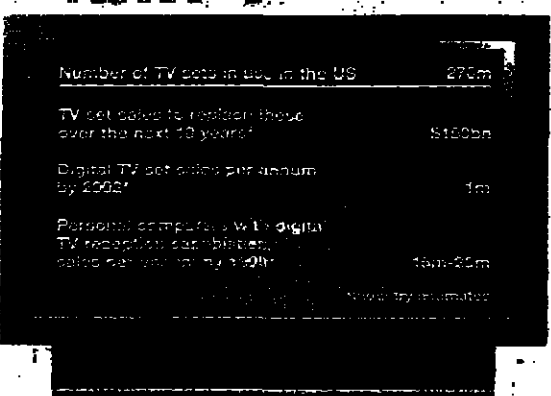
Hanoi is eager for more favoured Nation trading status as this would unlock the huge US market to its exports, easing pressure on its ballooning trade deficit. Officials say that could be 11th in the second quarter of this year, after reaching 4th in all of 1996.

A report in the semi-official weekly Vietnam Investment Review said yesterday that Chrysler, the US car maker, was pulling out of Vietnam. It said Chrysler could not overcome its withdrawal from a planned 1997 vehicle assembly plant in the north. Although a decision was given, an official said it is because of "setbacks in the market" which they say is too small to sustain a large plant.

Coming to your screen: DTV

Manufacturers are in favour but, Louise Kehoe asks, will consumers go digital?

Getting set for digital future



On the heels of last week's decision by the US Federal Communications Commission to give digital broadcasting licences to US TV stations, PC leaders including Compaq Computer, Intel and Microsoft see an opportunity to dominate the next generation of home entertainment products.

"Our vision of the future of digital TV is much more than a high-resolution version of news or a sporting event or a sitcom," said Mr Robert Stearns, Compaq Computer senior vice president. Computer graphics and Internet-style interactive information would be embedded in digital TV signals, he predicted.

"We believe consumers will want to mix different kinds of computer information with traditional video," Mr Stearns said. Somebody watching a sporting event,

for example, might look up an athlete's track record, see who won the event in previous games or find other interesting statistics.

The PC industry initiative comes even as US TV broadcasters are still mulling the challenges of meeting the FCC's deadlines for launching digital TV services.

The FCC plan calls for the top four US TV networks - ABC, CBS, NBC and Fox - to begin transmitting digital TV signals in the 10 largest US cities within the next 18 months. Digital TV would

reach all US viewers within the next few years and traditional analogue transmissions would cease by 2006.

For broadcasters this means an average investment of \$8m by each local TV station to acquire new cameras, editing, recording and transmission equipment. Operating costs will also rise in the transition period when broadcasters will need to offer both analogue and digital services.

Although US TV networks welcomed the FCC decision last week and vowed to

bring digital TV to viewers as fast as possible, practical problems such as the need to mount new digital broadcast antennas are likely to cause delays in some cities.

Cable TV companies will also play a critical role in the introduction of digital TV. They too will be forced to invest in new digital equipment and face a difficult transition period.

The big question, however, is how consumers will respond to the advent of digital TV. Initially, digital TV sets are expected to cost more than \$2,000, versus \$800-\$900 for a standard TV set today. Prices will come down as the market grows, the Consumer Electronics Manufacturing Association trade group predicts, but how far and how fast remain matters of conjecture.

Set-top boxes, costing \$150-\$300, that convert digital into analogue signals will prolong the useful life of existing TV sets. But to take full advantage of digital TV with its enhanced picture and sound qualities, consumers will have to replace their TVs and videotape recorders. Today's antennas and satellite dishes

will also become obsolete.

For consumer electronics manufacturers, digital TV could be a sales bonanza. However, they face slower sales if consumers postpone new purchases as they wait for digital TV sets to come down in price.

But for the computer industry the advent of digital TV is an immediate opportunity. Already, companies such as IBM and Hewlett-Packard are touting equipment and services for creation and broadcast of digital TV.

PC manufacturers and their suppliers also stand to make big gains if they can combine the functions of a PC with those of a digital TV set. But this will depend largely on the standards adopted for digital TV transmission.

Convergence of the consumer electronics and PC industries is now "inevitable", said Mr Eckhard Pfeiffer, Compaq chief executive. The home entertainment systems of the future must marry the best of television with the best attributes of the PC and the Internet.

FT Guide to the Digital Versatile Disc, Page 8; Media, Pages 12-13

Brazil warned of WTO probe into car tariffs

By Geoff Dyer in Brasilia

The European Union has threatened to call for a World Trade Organisation investigation into Brazil's tariffs on cars if Brazil rejects a new series of proposals.

Sir Leon Brittan, EU trade commissioner, raised the prospect of calling for a WTO panel on a visit to the Brazilian capital in an attempt to increase the pressure on Brazil to reform its controversial vehicle regime, which has already prompted formal complaints to the WTO from Japan and the US.

"We are not satisfied with what we have been offered," Sir Leon said after presenting the new proposals. "If we continue not to be satisfied the resort to a panel would be the natural step."

Brazil raised the tariffs on car imports from 35 per cent to 70 per cent in March 1995, but later reduced them to 35 per cent for manufacturers who produce in Brazil. Partly as a result of this policy, Brazil has received over \$10bn of pledged investment from foreign manufacturers into its motor industry.

Diplomats say the

increased pressure on Brazil is unlikely to have a substantial effect.

Any formal discussions at the WTO would take several years to complete, by which time Brazil has already agreed to reduce its tariffs.

Sir Leon said the EU was still analysing the potential for a tariff-cutting agreement between the EU and Mercosur, the four-nation trade grouping of Brazil, Argentina, Paraguay and Uruguay.

On a recent visit to Brazil, President Jacques Chirac of France called for a summit of EU and Mercosur leaders next year.

The Brazilian government complained to Sir Leon about the EU's tariffs on coffee imports, which Mr José Alfredo Graça Lima, head of economic affairs at Brazil's foreign ministry, said was "isolated discrimination". The EU has reduced coffee tariffs for countries such as Colombia which are fighting drug traffickers.

Sir Leon rejected criticism that Brazil's trade deficit with the EU, which was over \$1bn last year, was the result of high tariff barriers. "The real cause of the problem is structural," he said, related to Brazil's history of state control, over regulation and closure to the outside world, however dramatic was the progress being made.



Brittan: 'Not satisfied with what we have been offered'

The EU did announce a reduction in the import tariff on Brazilian steel, but complained about the sale of alcohol in Brazil under the name "cognac", which it said did not qualify to use that brand name.

Tobacco industry set for trial

By Richard Tomkins in New York

The US tobacco industry faces another crucial trial today with the opening of a court case in which the sister of a lung cancer victim is suing for damages.

The case is regarded as critical because it is the second to be brought by Mr Norwood Wilner, the Florida lawyer who unexpectedly won \$750,000 in damages for an ex-smoker and his wife in a landmark award by a Florida jury last August.

That case sent shock waves through the tobacco industry and pounded cigarette companies' stock prices, because no US tobacco company had ever previously paid out damages arising from a lawsuit brought by a smoker.

In the trial opening today, Ms Dana Rasmussen is suing R.J. Reynolds Tobacco, the second biggest US cigarette maker, on behalf of her sister, Jean Connor, who died of lung cancer aged 49 in 1995.

Connor is said to have started smoking RJE's Winston cigarettes at the age of 15 and to have smoked up to three packs a day of RJE's Salem cigarettes for about 20 years before switching to Benson & Hedges, a brand manufactured for the US market by Philip Morris, the biggest US tobacco company.

Mr Wilner has named only RJE as a defendant, to keep the case simple. He is expected to argue that RJE could

and should have developed a safer cigarette, and did not adequately warn of the addictive nature of cigarettes or the health risks associated with smoking.

RJE is likely to argue that the risks of smoking have been well known for decades and that Connor was fully aware of them when she took the decision to smoke. The company will also point to evidence that she quit smoking at the first attempt in June 1993 before her cancer was diagnosed, supposedly undermining the claim that she was addicted.

Analysts say the outcome of the trial is difficult to predict. Mr Wilner is regarded as a clever lawyer, but the tobacco industry is better prepared for his tactics than

it was in last August's trial, when it was seen as having made mistakes. (Brown & Williamson Tobacco, which lost that case, has appealed.)

However, the climate for litigation has taken a turn for the worse from the tobacco industry's point of view following last month's admission by Liggett, the smallest US cigarette company, that smoking is addictive and causes cancer.

Juries who previously believed people took up smoking with a full knowledge of the risks involved may start to take a different view if shown evidence that tobacco companies deliberately concealed knowledge they possessed about the harmful and addictive nature of cigarettes.

Bitter Castro admits problems

By Pascal Fletcher in Havana

Cuban President Fidel Castro, bitterly acknowledging that "certain forms of capitalism" now exist in Cuba, has warned his people not to expect fast solutions to the island's economic and social problems.

In a sober speech to a Communist youth meeting on Friday night, Mr Castro said the country's leaders should avoid raising false expectations about the pace of economic recovery. "We have to be very careful about our speeches and very careful about encouraging the illusion that everything is going wonderfully well and that we'll soon solve all our problems," he said.

He added that the Communist-ruled island still faced a long haul to beat the recession triggered by the collapse of trade and aid ties with the former Soviet bloc. The tightened US economic embargo against Cuba was also hindering recovery efforts, he said.

Government economic planners have been generally upbeat in public about the island's economic recovery prospects in 1997, predicting growth of 4-5 per cent in gross domestic product and increased revenues from tourism, nickel production, fisheries and tobacco exports.

Mr Castro said that while the Soviet bloc existed, Cuba had lived in "a crystal vase... [in] the strong and

victorious ideology of socialism". "We were pure," he said, but "the vase broke", and Cuba was now forced to live "surrounded by contaminating elements".

He mentioned with undisguised distaste reform measures the government had been obliged to take over the last few years: opening up to tourism, legalisation of hard currency use, some price liberalisation and private self-employment. "We certainly do have certain forms of capitalism inside here," he noted.

Mr Castro said the authorities should urgently confront growing levels of crime, illegal economic activities and social problems such as overcrowding in Havana.



Castro: 'We were pure but the vase broke'

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Bomb threats make Sinn Féin's participation in talks on Northern Ireland remote

Labour toughens its policy on IRA

By John Murray Brown
in Dublin and
John Kampfer in London

Labour, the main opposition party, yesterday toughened its policy towards the Irish Republican Army after the postponement of Saturday's Grand National. The famous horse race was called off after bomb threats were made by a caller using recognised IRA code words.

The Labour and Conservative parties made clear yesterday that last week's IRA bomb threats and attacks in England had made even more remote the prospect of Sinn Féin, the political wing of the IRA, joining talks about the constitutional future of Northern Ireland.

Aides said the party leaders were determined not to allow the IRA to prevent them from getting out to meet voters. Security has been discreetly stepped up, and the venues of the leaders' "walkabouts" are not being revealed in advance.

The general election campaign

Although condemnation of the Aintree bomb threat was robust on all sides, the Conservatives stepped up accusations that a Labour government would be soft on terrorism.

Mr Jack Straw, shadow home secretary, said a Labour government would consider "extra legislative powers" to bolster the fight against terrorists if required by the security services.

But Mr Michael Howard, home secretary, said Mr Straw had contradicted Labour policy. The party has refused to support the renewal in the House of Commons of the Prevention of Terrorism Act for more than a decade, although it has abstained rather than voted against since 1996.

"If Labour now recognise the value of these powers, why is it that Mr Blair [the Labour leader] in all his 14 years as a member of parliament, has never voted for them?" Mr Howard asked.

Mr Straw spelt out Labour's conditions that the IRA would have to take active steps by "word and deed" that they had abandoned violence, and abandoned preparations for violence, such as targeting and surveillance operations.

"The reality is the IRA is back at war because the British would not accept our mandate to be in talks," said Ms Rita O'Hare, head of the Sinn Féin press department in Dublin.

Senator Edward Kennedy, in an article in the Dublin-based Irish Times on Saturday, said that if there was an immediate IRA ceasefire, the US administration would pressure any incoming British government to get Sinn Féin to the table.

Baroness Thatcher, the former Conservative prime minister, yesterday described the Labour party's



Still in the fray: at the age of 80 Sir Edward Heath (left) is again standing for election in the seat to the east of London that he has held without interruption since 1950. Sir Edward, Conservative prime minister from 1970 to 1974, is a fervent pro-European under whose premiership the UK entered the European Community. He has not held government office since losing the leadership of the party to Margaret Thatcher in 1975. But Douglas Hurd (right), who was political secretary to Sir Edward during the latter's premiership, is leaving politics at this election at the age of 67. Mr Hurd has been deputy chairman of NatWest Markets since retiring as foreign secretary in 1995.

plans to sign Britain up to the EU social chapter as socialism by the back door. "We would suffer every single regulation that the European socialist bureaucracy

would wish if Labour was allowed to get its way," she said at a meeting of Conservative election candidates in London. "Even now, they are discussing how to increase

majority voting and reduce the power of the veto. That is why we must see our prime minister, John Major, and our government returned at this election."

Europe dominates only in the minds of politicians

By Patrice de Beer

The UK election has exacerbated the controversy on Europe. But the British are not different from their Continental cousins in being nationalists.

Just like the French, the Germans or the Italians they tend to see the grass greener - and more often fiercer - elsewhere. Seldom in recent history have we witnessed such an obsession with the outside world - in this case the rest of Europe - as in the run-up to this election.

Politicians and the media

tend to think there is nothing more important, or threatening, for the very survival of the UK than its relations with the European Union, Euro and the single currency. They define themselves in terms of Eurosceptics or Europhiles. Europe is assailed as if it were the devil itself.

Yet, if a foreign correspondent such as myself manages to muddle through the unsympathetic jargon uttered by a number of Eurosceptics and to reach the people, a rather different country appears.

The British might not like

Europe's institutions; nor do many in the rest of the EU. They cherish their Britishness above all - who could blame them? Yet they remain as welcoming and open-minded as ever.

Behind the opinion polls, which show that opposition to Brussels has barely increased since the 1975 referendum on whether the UK should remain in the European Community, I have sensed people who do not share the deprecating attitude towards whatever originates from across the channel. And often some of the

most vocal relax in the Dorset before returning home and playing the "E" card for political purposes.

They raise a question about the efficiency of Euro-sceptic propaganda. For the Tory party, such a direction looks suicidal. Not because I am day-dreaming about a utopian Britain, but because

British voters appear more preoccupied by immediate issues such as education, health, law and order, employment, sleaze.

Posturing about Europe is not a magic wand that can clear away other worries from the mind of the average

voter. Labour seems to have understood the issue better: Europe is too divisive, and it does not pay to highlight this fact. The spin doctors have done their job.

But what is noticeable in Labour's strategy is its obsession with marginal voters. It looks as if tens of millions of voters do not matter, as party propaganda is aimed at the odd ones who might switch away from the Tory fold. They have to be pampered, cocooned, reassured that nothing is going to change for them, that Blairism is nothing more than Thatcherism with a human face. Yet these people will be the first to desert Labour at the earliest hint of a monetary, social or European shudder. Not much seems to be done to pamper the rank and file, those who queue at the polling booth to make Labour win or stay at home to help it lose.

The way Britain looks at sleaze never ceases to surprise me. How can one be so obsessed with personal misbehaviour when it comes to sex and not with the way political parties are being financed?

Private problems should remain private as long as

they do not impinge on affairs of state or break the law; the sex life of a politician should remain his or her own. But the way parties fill their war chests should be open to permanent scrutiny.

Finally, too much has been said about the similarities between the two main parties. But on Europe and the constitution the gap is yawning. For a Frenchman brought up in a centralised country, the opposition to Scottish or Welsh devolution which, after all, does not go much further than for our local authorities (*departements*) is difficult to understand.

If the Tories have been daring - sometimes too much perhaps in their economic and social experiments - how could they be so tame when it comes to political reforms? How long can an economy of the 21st century thrive under a 19th century constitution?

More news of the election campaign can be found at the Financial Times website: <http://www.ft.com>

LEGAL NOTICES

Waverley Mining Finance PLC Notice is hereby given that a Petition has been presented to the Court of Session by Waverley Mining Finance PLC having its registered office at 15 Charlotte Square, Edinburgh, EH2 4DJ craving an order confirming cancellation of its Share Premium Account.

In which Petition the Court pronounced the following interlocutor on 1 April 1997: "The Lord Ordinary appoints the Petition to be intimated on the Walls in common form and to be advertised once in the Edinburgh Gazette and once in the Financial Times and Scotsman newspapers and appoints all parties claiming interest to lodge answers thereto, if so advised, within 21 days after such intimation and advertisement."

"John T Cameron" of which notice is hereby given. Shepherd & Widdows, WS, Solicitors, 20 Castle Terrace, Edinburgh, Agents for the Petitioner.

CONTRACTS & TENDERS

APV RT.
HUNGARIAN PRIVATIZATION
AND STATE HOLDING COMPANY

ANNOUNCEMENT

On 26th March 1997 the Hungarian Privatization and State Holding Company (APV Rt.) and Magyar Villamos Ipari Rt. (MVI Rt.) successfully closed the sale of a substantial (75,700) shares of Budapest Power Plant Limited to a consortium comprising Interim Volcan Oil and Gas Corporation of Japan.

Budapest Power Plant Ltd. is the largest supplier of heat for district heating in Budapest. It has six mixed hydrocarbon-fired power and heat plants with a combined generating capacity of 294 MW and a combined nominal heat capacity of 2,617 MW.

IVO/Tomen is obliged to purchase additional shares currently owned by MVI Rt. and to be distributed to social security funds or employees in a preferential manner, expected to take place later this year. The Hungarian Government retains a Gold Share in Power Plant Limited.

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FT Surveys

Invitation for Tender

The Administration of Galati Free Zone - Regie Autonome, established by the Romanian Government's Decision HG 190/1994, launches, according to the provisions of the Law 84/1992 and Romanian Government Decision 682/1994, an invitation for public tender for the concession of land for production, commercial, banking, services and storage activities.

The tender will be held on May 23, 1997 at 11.00 a.m.

- The bidders will send a request for participation to the headquarters of the Administration of the Galati Free Zone with the following information:
- exact name and address of the company;
 - description of main activity;
 - description of the activities to be developed in the Galati Free Zone;
 - approximate surfaces needed for concession;
 - the number of Romanian employees for the activities in the Galati Free Zone;
 - the estimated volume of the investment in the Galati Free Zone;
 - the duration of the concession.

Further details can be obtained daily from 8.00 a.m. to 16.00 p.m. (Eastern European Hour) at the Administration headquarters or phone: 0040-36-411222, 0040-36-412420, 0040-36-412430, fax: 00 40-36-414 929 Marketing Department. The Administration of Galati Free Zone - Regie Autonome.

Headquarters: Romania, Galati, Str. Al. I. Cuza, bloc Cristal.

Tel/Fax: 0040-36-411222, 0040-36-412420, 0040-36-412430.

CHEMICAL WEAPONS ACT 1996

Amendment No 1 to the Open General Licence, dated 1 January 1997 granted by the Secretary of State

Coming into force 1 April 1997

The Secretary of State, in exercise of the powers conferred by section 20 of the Chemical Weapons Act 1996 (c.6), hereby modifies the Open General Licence granted by him on 1 January 1997 as follows:

- In Clause 3 after sub-clause (2) there shall be inserted -
"(3) A person may only import chemicals from and export chemicals to another State Party to the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction signed at Paris on 13th January 1993.
- (4) If a person has imported a chemical from a State Party he may only re-export that chemical to that State Party."
- In Clause 4(2) the words "to another Member State of the European Community either of the Chemicals numbered (7) and (8) in the Schedule" shall be deleted and replaced by the words "any chemicals".

This instrument shall come into force on 1 April 1997.

A. H. Evans

1 April 1997

An Official of the Department of Trade and Industry authorised to act on behalf of the Secretary of State

UK NEWS DIGEST

Anglo French power link up

British Energy, the privatised nuclear power group, and the French energy group EDF are expected today to announce an investment in a gas-fired power station in north-east England. The announcement is expected to concern Humber Power, the Humber-side power station.

Four investors already have stakes in the £795m (£1.27bn) plan to build a 1,200MW power station.

The four are Midlands Electricity, the English regional power company taken over by two US groups last year; IVO of Finland; ABB, the international engineering group; and Tomen, the Japanese trading company.

British Energy confirmed yesterday that it had been in discussions with EDF and said that its expansion plans could include "entering into partnerships where appropriate". It added: "We are a cash rich company and we are looking to invest that cash."

The announcement of the Humber Power project at the end of 1994 came as a blow to the UK coal industry, which had hoped that an agreement between the regulator and generators to peg prices in the wholesale power pool would diminish the attraction of other fuel sources. The Humber Power station could displace an estimated 3.5m tonnes of coal a year.

Jane Martinson

GAS PRICES

MMC to hear from regulator

Ms Clare Spottiswoode, the gas industry regulator, is to give evidence to the Monopolies and Mergers Commission tomorrow, the week before the MMC's report into prices charged by BG, formerly part of British Gas, is due to be finalised. But there is a growing belief in the industry that the MMC is likely to give some concessions to both sides in the prices dispute, which was referred to the MMC in October.

Most speculation has focused on the important inter-related issues of the value of BG's pipeline assets and the treatment of depreciation. Ofgas has argued that transportation charges should be cut by 20 per cent this year and by 2.5 per cent annually thereafter. If the MMC agrees, domestic gas bills will fall by £30 a year on average.

BG, which operates Transco, the regulated pipeline monopoly at the heart of the investigation, claims the Ofgas proposals will cut average annual cashflows by at least £400m and that it will cause large-scale job losses. Speculation that the MMC has rejected some of Ofgas's proposals and favourable research notes from City analysts, have helped lift BG shares.

Jane Martinson

ENGINEERING

Bae to hire 'elite' graduates

British Aerospace is setting up a scheme to hire a new breed of elite graduate engineers from two of the UK's leading universities at salary levels 50 per cent higher than average. The project marks an ambitious effort by one of Britain's biggest manufacturers to attract top engineering brains at a time when rival job offers from fields such as accountancy and banking are increasing.

Bae will take on about 10 engineering "super graduates" this summer from Cambridge University and London's Imperial College. They will be paid a starting salary of about £20,000 (US\$32,000), well above the £14,000 average.

Peter Marsh

WATER INDUSTRY

Desalination projects to be tested

Several privatised water companies are preparing to test desalination projects in southern and eastern England. "It is no good dismissing desalination as too expensive," said Anglian Water, the biggest of the privatised water groups, yesterday. "We need to know more about it."

A team led by Mr Peter Matthews, Anglian's technology and innovations manager, had come up with innovative technology that would be evaluated and tested by a pilot plant to be built on the coast of eastern England. Southern Water has also decided the time is right for a pilot scheme.

Financial Times Reporter

EU wage bargaining 'diverse'

By Robert Taylor,
Employment Editor

The European Union's single market has brought more diversity in wage bargaining and encouraged greater employment flexibility in member countries, according to an unpublished study carried out for the European Commission.

The report is at odds with fears expressed by critics of the EU about its social policies. "There is very little sign that a European model of wage remuneration is developing," it says. "Most countries appear to be evolving their own particular solutions in order to achieve greater scope for local wage negotiations." But it believes "heightened international competition has played a key role" in changing the bargaining systems.

The study was written by Mr David Shonfield, senior

researcher at Incomes Data Services, the independent UK pay research body, as part of the European Commission's evaluation of the impact of the single market.

Its main findings are that: • "The impact of the single market on corporate personnel and pay policies has generally been limited." But there was evidence national economic policies and institutions were growing more important in wage bargaining "because of the disciplining effect of the European exchange rate mechanism and economic convergence criteria" required for European monetary union.

• The "main, indirect" effect of the single market at company level has been "an increased concern to control labour costs; changes to the grading or classification of employees; and links between pay and performance". Wage bargaining

linked to company performance is growing more widespread in some EU countries including France, the UK, Italy and the Netherlands.

• With the exception of the UK, EU countries have used inflation forecasts as "a point of reference" in wage negotiations. The UK prefers "backward-looking informal indexation".

• Economic factors such as growth, employment levels and productivity "are a more significant influence on pay bargaining than they were before the arrival of the single market in 1992".

• "The widespread view that the economic 'core' countries of the EU would be enriched at the expense of the peripheral countries, or regions has so far not proved correct."

• "The dangers of 'social dumping' have been exaggerated with only isolated

examples of competitive undercutting of pay and conditions by firms exploiting labour cost differences between countries." But "there is evidence from Germany that companies are increasingly using the possibility of relocation as a bargaining counter to achieve changes in working practices at home."

• Collective bargaining coverage has not altered and although trade union density has declined it remains high by world standards since the creation of the single market. Sectoral level bargaining "continues to be of great importance in most countries".

A survey of employers for the report found that company bargaining was growing in Denmark, Sweden and the Netherlands, particularly in sectors such as cars, telecommunications and chemicals.



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DIGEST

to French
er link up

The privatised nuclear power group EDF are expected to link up with a gas-fired power company. The announcement is expected to be made in the near future. EDF, the French nuclear power giant, is expected to link up with a gas-fired power company. The announcement is expected to be made in the near future. EDF, the French nuclear power giant, is expected to link up with a gas-fired power company. The announcement is expected to be made in the near future.

Water slide

Utah

15 August
1430 hrs

hear from regulator

The gas industry regulator, the Monopolies and Mergers Commission, has heard from British Gas, the former part of British Gas, in the case of a growing belief in the industry to give some concessions to the public, which was referred to the regulator. The regulator has focused on the importance of the value of BG's pipeline assets. BG has argued that the value of its pipeline assets should be cut by 20 per cent this year. The regulator has focused on the importance of the value of BG's pipeline assets. BG has argued that the value of its pipeline assets should be cut by 20 per cent this year.

the 'elite' graduates

The setting up of a scheme to hire elite graduates from two of the UK's top universities, Oxford and Cambridge, is a project marks an ambitious effort to attract manufacturing talent. The scheme will hire elite graduates from two of the UK's top universities, Oxford and Cambridge. The project marks an ambitious effort to attract manufacturing talent. The scheme will hire elite graduates from two of the UK's top universities, Oxford and Cambridge.

COUNTRY

projects to be test

The companies are expected to be tested in the near future. The companies are expected to be tested in the near future. The companies are expected to be tested in the near future. The companies are expected to be tested in the near future. The companies are expected to be tested in the near future.

diverse'

The companies are expected to be tested in the near future. The companies are expected to be tested in the near future. The companies are expected to be tested in the near future. The companies are expected to be tested in the near future. The companies are expected to be tested in the near future.

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THIS WEEK

Obelisk points to change of heart

As decorative objects, obelisks have always caught the imagination of imperial rulers.

The ancient Romans set the trend. They carted back from Egypt large numbers of granite obelisks adorned with their mysterious carvings to adorn the capital. Renaissance popes were fascinated by them, calling on architects to drag them from Roman ruins, or commissioning sculptors to fashion them into statuesque monuments on top of elephants or fountains. Napoleon too decided Egyptian obelisks were good war booty; and he ensured they became an elegant addition to the urban landscape of Paris.

So it was not surprising that Mussolini, with his admiration for Napoleon and his obsession to imitate the imperial glories of ancient Rome, should have turned his attention to bringing back an obelisk. The opportunity presented itself not in Egypt, but through the Italian annexation of

Abyssinia in 1936 and Mussolini's proclamation of an empire.

Abyssinia possessed several obelisks of Ethiopian origin and the Duce personally charged the archaeologist Ugo Monneret de Villard with selecting one. He chose one of the monoliths lying on the ground at the archaeological site of Axum. Dating back to the third century AD, it measured 24 metres and consisted of five blocks of granite. Although not the largest at the site, it was believed to possess the most perfect incisions. Altogether the blocks weighed some 200 tons and had to be carried first to the Red Sea port of Massawa before being brought to Italy via Naples in early 1937.

Once in Rome, the obelisk was given a magnificent site on the huge expanse of the Circus Maximus, the chariot race-track, and

DATELINE
Rome: Italy has signalled its willingness to return to Ethiopia an obelisk plundered by Mussolini, writes Robert Graham

at the entrance of the road leading to the old Appian Way and the new administrative centre Mussolini hoped to create outside the capital at EUR.

And there, this greyish-brown granite monument has remained

until today; a familiar site opposite the post-war complex of the headquarters of the United Nations Food and Agricultural Organisation. But it may not be there much longer.

After years of on-off negotiations with various Ethiopian governments, Italy has signalled its willingness to return the obelisk. The decision was taken in principle last month and will be reaffirmed this week when Ethiopian premier Meles Zenawi visits Rome.

The return of the Axum obelisk has long been a matter of Ethiopian pride. But, while a succession of Italy's post-war governments have committed themselves to handing back this symbol of the Fascist era, little progress was made until recently.

Two treaties with Ethiopia, one in 1947 and another in 1956, sol-

emnly bound Italy to return the obelisk. But the process was put on hold after Emperor Haile Selassie was overthrown in 1974. The Christian Democrat-led governments in Italy had no desire to reward the Marxist regime that took over in Addis Ababa. Other excuses and delays followed. At one stage it was argued that the area of Axum was unsuitable for the obelisk as it was prone to seismic movement.

There have been genuine fears that the repatriation of the Axum obelisk might set a precedent and raise the broader - and highly sensitive - issue of the return of colonial war trophies and plundered works of art. Although Italy would be little affected, other colonial powers, such as Britain and France, did not want such a precedent to be set.

When a joint Italo-Ethiopian

commission was established last month to supervise the return, Rino Serri, the Italian deputy foreign minister handling the affair, made his government's view clear: "Here there is no question of principle involved. This does not mean everything is going to be returned: simply that treaties we have signed have to be honoured."

The sole obstacle now blocking the return is a technical one. Experts have to be certain the obelisk can be removed from its base and dismantled without irreparable damage. "If the obelisk is damaged, then it won't go," says the foreign minister.

That potential objection could provide a convenient excuse for the Italians to retain their only Ethiopian obelisk while allowing Ethiopia to save face. If it is

returned, the Ethiopians have pledged to provide some form of replacement as a sign of gratitude, although they have few funds to fill what will be a noticeable hole in Rome's urban landscape. One suggestion is that the committee preparing for Rome's jubilee year commission a suitable monument.

And why not a modern-style obelisk to celebrate the advent of the next millennium? In the 10th century at least 40 Egyptian obelisks (mostly brought from Heliopolis under such emperors as Augustus) were standing in Rome. The present count is down to 13 and none serves the imaginative function conceived by Pope Sixtus V, the most enthusiastic of all in the display of obelisks. He wanted to set up obelisks at strategic points throughout Rome, using them as giant gnomons - rods for sundials to show the hour of the day.

As an architect friend remarked: "A gnomon could be a good omen for the 21st century."

The Monday Profile: Sir Freddie Laker, Laker Airways

The old stomping ground

Sir Freddie Laker insists he is not bitter against those at British Airways whom he believes ran him out of business in 1982 through predatory pricing. Neither does Sir Freddie, who pioneered cheap transatlantic travel with his Skytrain, hold a grudge against the UK government which he is convinced was also involved.

You could be forgiven for thinking otherwise, especially if you happened to press channel 15 of the in-flight entertainment system on the new Laker daily service from London's Gatwick airport to Miami. The channel features an endlessly repeated interview with Sir Freddie choosing some of his favourite music - but also talking about the past.

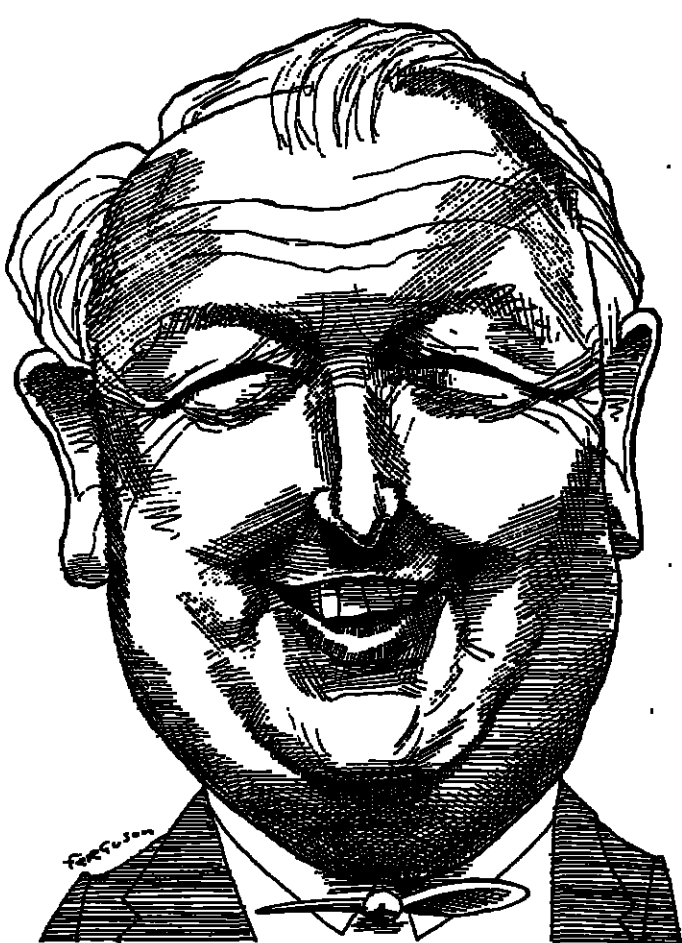
In the interview, Sir Freddie denounces Midland Bank as "the listening bank which never listens". The UK bank, he says, refused to accept a cheque from Tiny Rowland, a personal friend, which would have got the airline out of trouble. Instead, the receivers were brought in and he reluctantly left his Gatwick office on February 5, 1982.

The new generation of Laker passengers are also treated to robust views on the British government, which is accused of having been "up to its eyebrows" in the undermining of Laker Airways.

"They didn't want Freddie Laker to fly again," he says. The government placed more importance on getting BA back to profitability for future privatisation than on promoting low-cost travel across the Atlantic.

"We thought it would be a good idea to let people know who we were and how we have been beaten about the head and that we are all about competitive air fares," he says of his on-board interview.

After the collapse of Skytrain, Sir Freddie shook the dust of the UK from his shoes and has, since 1982, divided his time between homes in the Bahamas and Boca Raton in Florida.



"Everyone thought I had died, but in actual fact I have had 14 years' exposure to the Florida and east coast markets," he says, talking in the exclusive Boca Raton Resort and Club where membership starts with a \$35,000 down-payment.

After leaving Britain he helped Tiny Rowland run a hotel and casino on Grand Bahama and later launched Laker Bahamas, now known as LB, to carry tourists from cities all over the US to the Bahamas.

In 1994, Sir Freddie decided the time was right to consider returning to long-haul routes. He was influenced partly by his belief that the new freedoms of

the eastern European and former Soviet states would, in time, provide fresh supplies of tourists. He started out in 1995 with flights from Gatwick to Orlando and now has two flights a week from Gatwick to Fort Lauderdale, with a third to be added from June 20.

But it is the daily flight to Miami, run by new US-registered Laker Airways, that shows Sir Freddie is back in the transatlantic business. He owns 49 per cent of the company, with the rest held by Oscar Wyatt, a Texas oilman. Together they have put up \$25m, and have offered guarantees to expand the airline.

It was very difficult getting the landing slots, he says. "I still

haven't got satisfactory slots, nothing like the commercial slots I should have. The reason I got back at all was because I have an American company."

Many of his original customers are returning, he says. "The old Brits and the Americans are coming back. Every single day of my life people come up to me." He recently met a woman in a Florida store who had travelled in her youth with her parents on Skytrain. Now her daughter was flying Laker to London.

He has, however, given up the "bucket and spade" image, deciding instead to go up-market, while still concentrating on value for money.

On the Gatwick-Miami flights, both Regency Class, as he calls economy, and Premier Business offer leather seats, china plates, gilt inlay on the stainless steel cutlery and 6-inch individual television sets. At the moment, Premier Business costs \$1,298 return and Regency \$366 return mid-week and \$399 at the weekend. British Airways quotes \$2,534 for its Club Class to Miami and \$292 for a fully flexible return economy fare.

"I am trying to create a niche airline. I call it the connoisseur's airline," says Sir Freddie who, at 73, says he still relishes every day in the airline business. He even plans to expand from his present three aircraft to as many as 50 within the next five years. He is also looking at the possibility of launching package holidays to the Galapagos Islands in a joint venture with an Ecuadorian airline.

In a comment that might send a chill down the back of some BA executives, Sir Freddie says he is seriously considering returning to his old stomping ground - the London to New York route.

"If we branch out into the UK we could probably go back into the hot route again to New York. Definitely, we consider that every day of the week."

The only thing he has not considered, he insists, is retirement.

Raymond Snoddy

FT GUIDE TO:

DIGITAL VERSATILE DISC

What exactly is DVD, and what does it do?

DVD stands for digital versatile disc. A DVD is a new form of compact disc which looks exactly like an ordinary audio-CD or CD-Rom, but has so much more memory capacity that it can play moving images at much higher audio-visual quality on television or computer screens.

But isn't there more than one type of DVD? Haven't I heard something about DVD-Roms and DVD-Rams too?

There are actually three types of disc. One is DVD Video, which is a souped-up version of a video cassette with extra facilities such as multiple foreign language soundtracks. Another is DVD-Rom, which is played on a personal computer like a sophisticated CD-Rom, but relaying film footage as well as still images. The third is DVD-Ram, the recordable version of DVD-Rom which was in the news this week when the electronics industry finally reached agreement on its technical specifications at a meeting in Tokyo.

How will I play these discs? Will I have to buy lots of expensive new equipment?

The short answer is yes. You will need a DVD Video player to hook up to your television set, like a video cassette recorder. The players are already on sale in Japan and North America from about \$600 (\$377) and the discs cost anything from \$30. Both DVD-Rom and DVD-Ram require special drives to be installed in personal computers. The manufacturers have not yet decided how much they will cost, but the price of a DVD-Ram drive is the more expensive of the two - is unlikely to be less than \$1,000. Also DVD-Ram is so complicated that it can only be used on fairly powerful PCs.

Will I actually need to buy any of these systems? I've already got a VCR, why should I want DVD Video as well?

Well, the digital effects in blockbuster movies, such as *Die Hard* or *Independence Day*, look much more realistic on DVD Video than they do on video cassette. You will also be better able to appreciate the finer points of the cinematography or art direction of films like *The English Patient*. And it will be possible to choose whether to watch foreign films in the original language, or with a soundtrack in your own language. Finally, the discs will be more durable than cassettes, which should be useful for children's films and cartoons that tend to be played frequently.

What about DVD-Rom and DVD-Ram? Can they do anything that CD-Rom can't?

The audio-visual quality of DVD-Rom and DVD-Ram is better than that of CD-Rom, and their higher memory capacity allows them to show moving film footage as well as still images. A DVD-Rom game will be much more exciting than a CD-Rom game. Likewise, a DVD-Ram about the

life of Orson Welles could include sequences from *Citizen Kane* and his infamous cherry commercial rather than stills. If an architectural firm made a DVD-Rom presentation of its work, it might film its buildings as well as showing sketches and photographs. The same applies to DVD-Ram on which you will be able to record images just as you would on a video cassette.

Great. Will I be able to record my favourite films on DVD-Ram?

Ah, that's the question. One reason why it has taken so long to put DVD into production is because the Hollywood movie studios refused to release their pictures for DVD Video until they were convinced the technology could not be used to pirate films. One of the concessions made by the manufacturers of DVD hardware and software, such as Toshiba and Sony, was that the first generation of DVD-Ram discs would only have enough memory for one hour of footage, not enough for a full-length feature.

Can I buy any of this stuff in the shops now?

It depends where you live. As you know, the first DVD Video systems are already on sale in Japan and North America. They will be launched in Europe early this autumn. It is possible to buy desktop or notebook computers fitted with DVD-Ram drives in Japan and North America, but only on a limited basis. Some manufacturers, including Sony, have not even started making them yet, but DVD-Ram drives should become more widely available over the next few months. The launch plans for DVD-Ram are even vaguer. Matsushita hopes to start production before the end of this year, but Toshiba plans to wait until next spring. Sony has not finalised its launch schedule yet.

So, what does this mean in commercial terms? Will DVD be a hot new product, the CD or VCR of the late 1990s? Or are we looking at another turkey, like digital audio tape?

In theory, DVD could be hugely successful. It is a genuinely exciting product with something new to offer the consumer. But so far the launch has been accident-prone at best. There were long delays while the electronics manufacturers squabbled among themselves over technical specifications, then they rowed with the entertainment and computing industries over copyright issues. Those issues were supposedly resolved, but some of the biggest Hollywood studios, including Paramount, 20th Century Fox and Universal, have not released any of their films on DVD Video. If DVD is to fulfil its commercial potential, these industries have got to get their acts together quickly.

Alice Rawsthorn and Bethan Hutton

Stephanie Flanders · Economics Notebook

Putting a spotlight on Africa

Fear and hope are combining to renew interest in the sub-Saharan

It is too soon to call it a "wind", but a distinct breeze of change is blowing through the international community in its attitude to sub-Saharan Africa. In the US particularly, the usually inward-looking mainstream media is looking again at the continent, and deciding that the last remaining superpower may have an interest in helping Africa turn itself around.

A recent New York Times magazine cover story declared: "Africa has never been more dangerous - nor more ready, finally, to join the rest of the world. The outcome may well depend on the United States, which has more than humanitarian reasons to care."

As the quotation suggests, a mixture of hope and fear is driving the call for a "new push for Africa". Hope, because, on most reckonings, governments across the region are now more committed to reforming their economies than they have been in decades. Fear, because, for many, the time for them to grasp the opportunity may be running out.

A revamped survey of the state of global development, published today by the World Bank, shows what a steep road reformers have to climb. It argues that developing countries have achieved 1.5 per cent growth in gross national product per head, on average, since 1970 - considerably less than developed countries. But, as the right-hand figure shows, sub-Saharan Africa has been left out of even this modest improvement.

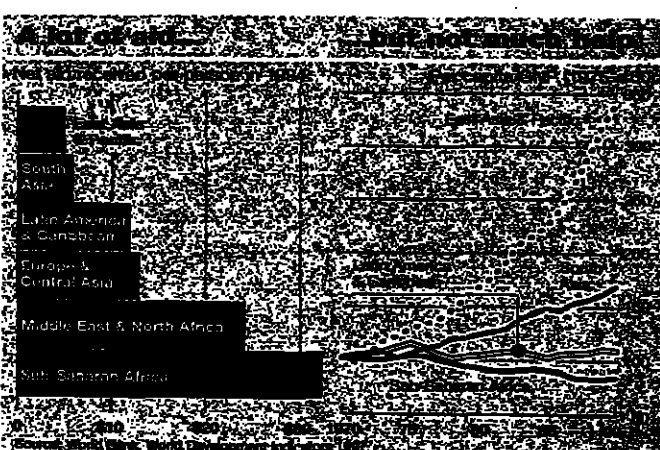
On average, GNP per capita in the region has fallen 0.8 per cent

a year in real terms since 1970. A handful of countries, such as Botswana, have done markedly better, but others have done far worse. In Zambia, real GNP per capita has fallen an astounding 4 per cent a year. On one estimate, real per capita GDP in Zaire and Zambia is now roughly half its 1965 level.

The region's economic failures show up in the social statistics. The World Bank report rightly trumpets the fact that average infant mortality rates in low and middle-income countries have fallen to 60 per 1,000 births in 1995, from 107 in 1960. But 90 out of every 1,000 babies born in sub-Saharan Africa still die before their first birthday. This compares to only 40 in east Asia. In Zambia, the infant mortality rate in 1994, at 109 per 1,000 births, was slightly higher than in 1970.

Editors might be forgiven for failing to hold the front page for the news that "Sub-Saharan Africa is development lagging". But what is adding urgency to the debate is the realisation among researchers and aid workers that the costs of Africa continuing to fall are now far higher than before.

There are two sides to the problem. On the one hand, "globalisation" of markets among economies that can get their development act together has made it even harder for the laggards to escape marginalisation. Modern capital markets give reforming African governments much less room for trial and error in setting monetary and exchange rate policies. While latter day Idi Amin and corrupt



Infant mortality rates in 1995

businessmen can protect their cash from the ravages of the domestic economy with the flick of a button.

The flip-side of this marginalisation is a vicious circle of rising poverty and increased social and ethnic tensions, culminating, in extreme cases, in all-out collapse of the economy and the state itself.

Poor simply, the end result of a failure to grow is not, as was once thought, "merely" continued stagnation. It is a rising number of Rwandas, Liberias, Somalias or Zaires, with devastating humanitarian and economic consequences for the continent and, increasingly, the world outside.

An understanding of the higher stakes involved in turning Africa around has spurred calls for action from prominent voices inside and outside the so-called development commu-

nity, including US deputy Treasury secretary, Lawrence Summers and former GATT chief Peter Sutherland.

The precise form which such a "new strategy" might take is still under discussion, but most recognise that to be effective it will have to build on the lessons of previous reform efforts. No amount of foreign assistance can make for a lack of reform commitment on the part of recipients. Indeed, support in these circumstances can often make matters worse, allowing countries to defer a crisis rather than tackle the root causes.

But it is not merely African governments which have to make a break with the past. Over the years, the region has absorbed many times more official aid and subsidised loans than any other. Surely, then, if countries in sub-Saharan Africa are now no closer to resolving

their problems than they were 20 years ago the providers of development assistance have to take a good chunk of the responsibility. The new World Bank survey shows that sub-Saharan Africa received \$22-bn of aid per person in 1994, on average. This compares with the \$17 per person going to low and middle-income countries in Europe and central Asia, and \$6 per head going to south Asia.

The sheer poverty of most sub-Saharan countries guarantees that such aid flows will have a deep impact on the structure of their economies. On average, foreign assistance accounted for more than 16 per cent of GDP in the region in 1994. In at least eight countries it accounted for well over 30 per cent of national income.

Some of the assistance has been well-used, but - as most now recognise - a great deal has been wasted or, worse, has encouraged countries in a self-perpetuating cycle of dependency.

Breaking out of the cycle will not be easy. Nor, in the short term, can it mean less foreign aid. Official development assistance, which now accounts for a mere 37 cents of every \$100 of OECD GNP, has fallen quite far enough, in real terms, since the early 1980s.

It will, however, mean using the money differently, and combining the assistance with other initiatives focused on the private sector. Next week's column will explore how such a turnaround might be achieved. "World Development Indicators 1997".

Prices for electricity generated for the purposes of the electricity trading and distribution companies in England and Wales.

Standard Price for Electricity Trading on 01/04/97

1/2 hour period ending	Pool	Pool	Pool
	price	price	price
	£/MWh	£/MWh	£/MWh
0000	11.81	11.71	11.71
0100	11.80	11.60	11.60
0200	11.80	11.60	11.60
0300	11.80	11.60	11.60
0400	11.80	11.60	11.60
0500	11.80	11.60	11.60
0600	11.80	11.60	11.60
0700	11.80	11.60	11.60
0800	11.80	11.60	11.60
0900	11.80	11.60	11.60
1000	11.80	11.60	11.60
1100	11.80	11.60	11.60
1200	11.80	11.60	11.60
1300	11.80	11.60	11.60
1400	11.80	11.60	11.60
1500	11.80	11.60	11.60
1600	11.80	11.60	11.60
1700	11.80	11.60	11.60
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2200	11.80	11.60	11.60
2300	11.80	11.60	11.60
2400	11.80	11.60	11.60

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MANAGEMENT

On the inside track

Do not waste time and energy trying to beat your competitors, say W. Chan Kim and Renée Mauborgne

After more than a decade of restructuring and downsizing, the pressure now on companies is to achieve growth in both revenue and profits. But what drives high-growth companies and distinguishes them from their less successful competitors?

We have spent the past five years studying more than 30 companies around the world in both groups in an effort to understand what drives high growth. We have built detailed strategic, organisational, and performance profiles of the companies. We have looked at a number of factors that are often thought to be related to a company's potential to achieve high growth. We asked, for example, is high growth a function of young, radical managers? Of being a small entrepreneurial upstart? Of big financial investments in the latest technologies? Of operating in a favourable competitive or industry environment?

No systematic differences were spotted along any of these lines. But what we did find was a fundamental difference in the way the two groups approached strategy. The less successful companies were stuck in the trap of competing. Their strategic logic centred around building competitive advantages. They benchmarked the competition and focused on outperforming rivals. The result was a perpetual cycle of offering a little more for a little less than competitors. The competition, not the customer, set the parameters of their strategic thinking.

Consider the classic case of Compaq versus International Business Machines in the personal computing industry. When Compaq launched its PCs in 1983 it rapidly won the mass of PC buyers. Not only were its PCs the first IBM-compatible machines, but they were priced 15 per cent below IBM's and were technologically superb. Within three years of its startup, Compaq had risen to the ranks of the Fortune 500, making it the fastest company in history to get there.

Compaq's success, however, woke up IBM. As IBM started to race to beat Compaq, Compaq

became focused on surpassing IBM. As the two fought to outdo one another in sophisticated feature enhancements, neither detected that user-friendliness and low price, not the latest technology, were emerging as critical to success. The result: both companies created a line of PCs that were overdesigned and overpriced for most buyers. When IBM walked off the cliff in the late 1980s, Compaq was following close behind.

The strategic thinking driven by the competition had three latent effects - effects that were the exact opposite of companies' intentions. First, it put companies in a reactive mode. Time and talent was unconsciously absorbed in responding to daily competitive moves, rather than creating growth opportunities. Second, it led to imitative, not innovative, approaches to the market. Companies accepted what competitors were doing and simply strove to do it better. Third, it clouded these companies' understanding of what customers were seeking and how that was changing.

So when, for example, Callaway Golf, the US golf club manufacturer, launched its "Big Bertha" golf club in 1991, it rapidly rose to dominate the market. This was not because Callaway had no competitors - in fact, it had venerable competition. But the golf clubs of all the main manufacturers looked alike and were out of line with what players wanted: a golf club with a larger head that made playing more rewarding and fun.

Callaway broke away from the pack with Big Bertha and earned high growth in revenues and profits. The competition, by contrast, so focused on one another, failed both to perceive and act on this opportunity.

By contrast, high-growth companies in our study paid little heed to matching or beating the competition. Instead, they sought to make the competition irrelevant by offering buyers a quan-



tum leap in value. The question they posed was not what would it take to be better than the competition, but what would it take to win the mass of buyers even without marketing?

The drive for this type of innovation pushes these companies to question everything an industry and competitors are doing, opening their eyes to the differences

between what companies are competing on and what buyers actually value.

This is not only the route to high creativity, but to tremendous cost savings. Just think of home products retailer Ikea; Direct Line Insurance; Home Depot, the US DIY and home improvement retailer; news organisations CNN and Bloom-

berg, or Starbucks, the US coffee shops chain. The innovative ideas fuelling these companies' highly profitable growth are not the result of aiming to build advantages over the competition. They are the result of a relentless drive to offer radically superior value to buyers. That is how Compaq found its way out of the trap of competing in the early 1990s and re-emerged as a global leader in the computer industry.

Are innovative companies whizzing by knocking the air out of your companies' products and services? How many of the greatest value innovations that have occurred over the past 10 years were spearheaded by your company rather than a competitor? If your answers are less than inspiring, your company, too, may have fallen into the trap of competing.

To get out of the trap and generate high growth in revenues and profit, companies should begin by asking four questions - the same four questions that the high-growth companies in our study asked themselves.

First, what factors that our industry takes for granted should be eliminated? Second, what factors that our industry competes on should be reduced well below the standard? Third, what factors that our industry competes on should be raised well above the standard? Finally, what factors should be created that our industry has never offered?

By answering these questions, companies can begin to find ways to break away from the pack rather than incrementally improve, discover superior ways to serve existing markets, and create new markets. This is the path to high growth in both revenues and profits.

W. Chan Kim is the Boston Consulting Group Bruce D Henderson Professor of International Management at Insead, France. Renée Mauborgne is a senior research fellow at Insead and president of ITM Research. They are the authors of *Value Innovation: The Strategic Logic of High Growth* (Harvard Business Review, Jan-Feb, 1997) on which this article is based.



Sound business: Model (left) with Polunio

PARTNERS

Ministry of Sound

James Polunio, 28, opened London's Ministry of Sound nightclub in September 1993. Six months later Mark Rado, 29, became a partner. In 1995 they launched a record label which has sold more than 2m albums, a mail order business, and a touring company, inspired by Pepsi. Annual turnover is £10m.

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Vanessa Houlder on the growing use of intranets for office communication

Electronic grapevine spreads its feelers

Intranets - the private networks that distribute information across a company - are having "a dramatic impact" on companies' internal communications, according to a recent report.

Almost two-thirds of the 259 companies surveyed have, or are developing, an intranet, according to Smythe Darward Lambert, a communications consultancy. The majority of the respondents expect the use of intranets to grow even faster than video conferencing and e-mail, which are also growing in popularity.

Four out of 10 of the companies polled used their intranets for day-to-day messaging. Just over half used them for corporate communications concerning matters

such as the company's style and strategy. Intranets, which use Internet technology to transmit and receive data, sound, graphics and video, can be an effective way of displaying any number of brochures, newsletters, reports and directories on screen.

Europe is lagging behind the US in the use of intranets. But the researchers, who talked to 25 North American companies for the mainly British study, believe that the early adopters of

the technology are grappling with much the same issues as the rest.

The champions of intranets often see their benefit in terms of making information freely available throughout an organisation. But the survey found that most companies see that sort of openness as a problem, not an opportunity. A quarter of them intended to control access to information with passwords.

"When it comes to challenging

hierarchy and opening up communications with employees, most companies are missing a trick, often deliberately," it says.

The companies that were most open with information tended to be in sectors that had most enthusiastically adopted intranets: technology, telecommunications and media.

At the other end of the scale the retail, distribution and public sectors appeared the least

likely to adopt the technology.

Just over half the companies surveyed said that they were motivated by the scope for cost savings. However, fewer than a third said they had achieved savings. Instead of cutting down on paper-based information, organisations sometimes found that they had simply duplicated their costs.

About 35 per cent of respondents were optimistic that intranets and technologies such as video conferencing and e-mail will relieve information overload, but 31 per cent said it would increase "communication pollution".

Perspectives. Smythe Darward Lambert, 55 Drury Lane, London WC2B 5SQ, 0171 375 9099. Free.

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Rich man makes sense of yard-long chopsticks

Selfishness is bad for business. That noble thought is the theme of a management primer called *For People - and For Profit*. The author is Kazuo Inamori, chairman of Kyocera, a self-made billionaire who recently went into semi-retirement as a Zen monk in his native Kyoto.

The book has been published in English, giving a rare chance for foreigners to peer into the mind of a Japanese management hero.

Inamori is not the first to make the point about self-interest. Japan's plague of financial scandals happened precisely because managers put their own and their companies' interests before all else, he says.

The recent wrongdoings at Nomura Securities, where senior staff paid off gangsters to keep things quiet at shareholders' meetings, are a case in point.

Inamori retells a parable he heard from a priest at the temple where he is now an inmate. Imagine a pot of noodles and several sets of yard-long chopsticks, he says. Selfish people will try to feed only themselves, but end up missing their mouths and dropping noodles all over the *zaimi*. Selfish people will feed each other.

Companies, too, should co-exist harmoniously with suppliers, staff and even competitors, he advises. It all sounds textbook Oriental, but it does not ring true.

I doubt if Kyocera became the world's largest maker of ceramic boxes for integrated circuits by helping competitors feed from the pot. Doesn't it have more noodles than anyone else in the business?

Ask the blunt engineering types at Toyota for their management secrets and you get a different message. Winning market share, not global harmony, is their idea of heaven. And they believe that you get there by commonsense, learned on the factory floor and in the marketplace.

The difference between Toyota



Will Dawkins
in Tokyo

and Kyocera might be explained by the fact that the car company is Shinto, rather than - as Kyocera is - Buddhist-inclined. Shinto, after all, is a farmer's religion and cars are today's rice. So Toyota's top people are interested in making things, rather than global harmony. New models are taken to be blessed at a shrine before being launched on world export markets.

Even so, ordinary executives of both companies agree that there is no magic to daily management, whatever their bosses think.

A more down-to-earth insight into Japanese business can be found in a new phrasebook, *Instant Business Japan*, by Giles Murray, who calls himself a brand identity consultant. The most useful bit is the 16-page chapter on how to say no - a delicate matter in any business negotiation in any country.

Forget the US caricature of the new Japan that can say no. The word - indeed the very concept of a blunt refusal - remains as alien as ever. Instead, there are hundreds of ways of meaning no, without saying it. Murray recommends a simple rule of thumb: any answer, however

polite, other than "yes" and a contract, means no.

European managers could do worse than study this book. English translations of Japanese business phrases could be handy exportables. Especially the first in the book: "As regards the restructuring, we have no intention of laying anyone off."

Harmony is undisturbed by the arrival of e-mail in Japan's top companies. The presidents of two Japanese multinationals introduced e-mail in the hope that it would inspire junior colleagues to deluge them with great ideas. But to the bosses' chagrin, e-mail empowerment is not catching on.

The two presidents get fewer messages than they expect and those are on the whole fairly decent. The problem is, it is too easy. Most of these, apparently, self-sacrificing people just say "no" to every job. So nothing gets done and the boss is never with them.

Another week, and another Japanese boss falls on his sword. This time it was the chairman of Nippon Credit Bank who acknowledged he would step down to "take responsibility" for the bank's near collapse.

He follows three board members at Nomura, and the chairman of Ajinomoto, Mitsubishi Oil and Sumitomo Corporation in the past month.

It looks like a wonderfully easy way to purge the sin of the past. The problem is, it is too easy. Most of these, apparently, self-sacrificing people just say "no" to every job. So nothing gets done and the boss is never with them.

Lucy Kellum is on holiday

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MBA dreams

McKinsey & Company is the number one choice of employer among American business administration students, according to a report published by University of the Swedish company that specialises in student surveys.

In a similar survey conducted by University of 1996 among European MBA students McKinsey also ranked number one and in both surveys the Boston Consulting Group was number two.

Not surprisingly, management consultancies were the preferred employers for American MBA graduates overall, with 25 per cent of respondents hoping to become consultants. Next came investment banking (19 per cent) and consumer goods (18 per cent).

Only one Japanese company - Sony - appeared in the top 50 companies. Twenty business schools in the US and Canada participated and 1,792 students responded to the survey.

DB

Della Bradshaw visits Henley, Britain's first monotechnic for business

When the cap fits



The big joke at Henley Management College these days is what colours the graduation gowns will be: pink, purple, or blue, or a delicate shade of corporate grey?

The big news there is that Europe's oldest independent management school has finally been given the power to award its own master of business administration degrees.

The amendment to Henley's royal charter to allow it to award taught degrees makes this college the only UK monotechnic institution for business - the Royal Agricultural College, for example, can award farming degrees.

Elsewhere only universities can award business degrees. Britain's other well-known management college which is privately owned, Ashridge, has its MBA degree awarded by City University, in London, for example.

Until now Henley's MBA students have been awarded degrees from Brunel, the local university. But with 8,000 students actively involved in its MBA or diploma programmes around the globe - giving Henley one of the largest MBA student bases in the world - both Henley and Brunel decided it was time for a change. Brunel is launching its own MBA course later this year.

Henley is playing down any potential confusion. "It will cause some short-term difficulties in some areas with some overseas partners," says Colin Carnall, director of programmes and professor of management studies at Henley. The management school has partner organisations in more than 20 countries, and 45 per cent of the school's business, and 60 per cent of its revenue, come from outside the UK.

Henley's business is a curious mix: a traditional business school with a virtual business school superimposed. In the UK Henley is recognised largely for its executive portfolio of short courses and 75 per cent of the activities on the Henley site are related to these. Overseas, it is an established provider of distance learning MBA courses.

This divergence began 10 years

ago when Henley decided that it had to expand overseas and that the best way of doing that was to pioneer the distance learning MBA course. Of the 8,000 people actively participating on its MBA course - there are actually 10,500 registered students - only 45 are on the full-time MBA course in the UK and a further 180 or so on the part-time MBA.

The rest all study through distance learning, with about two thirds of the distance learning students resident outside the UK.

To ensure the quality of the MBA is maintained, the database of registered students is scrutinised every six months. Students have to complete their degrees within a given time, and all students - full-time, part-time or distance learning candidates - submit the same pieces of work and sit the same examinations.

The only concession now under consideration is that overseas students may be allowed to sit their examinations in their first language rather than English.

Carnall says it is his job to create the synergies between the two strands of the college's business, not least of which is the transfer of the technology skills developed for the distance learning courses to the shorter executive courses.

The next step for Henley will be to seek award-giving powers for its research degrees as well as its taught degrees.

NEWS FROM CAMPUS

Wheels in progress for quality stamp

The European Foundation for Management Development has appointed Gordon Shenton as chairman of its European-wide accreditation process.

The project is intended to give a quality stamp to Europe's most highly regarded business schools. Ten are expected to receive the award in the next two years.

Shenton is dean of Groupe ESC Lyon in France. EFMD: Belgium, 2 648 03 85

Management and morals collide

Church leaders, business people and academics will get together in Leeds this summer to discuss the question of ethics in business. Speakers at the conference will include David Jenkins, the controversial bishop of Durham, and Kevin Bond, managing director of Yorkshire Water Services.

Jointly organised by Leeds University's Centre for Business and Professional Ethics and the

Council for Ethics in Economics, in Columbus, Ohio, the three-day course will start on July 14. The conference will also see the European launch of relevant case studies on CD-Rom. University of Leeds: UK (0113 233 5070)

City school breeds techno-specialists

London's City University Business School is launching an MBA in the management of technology which is aimed at scientists, engineers and financial analysts who want to widen their skill base.

The course is intended to develop participants' knowledge of the latest technologies as well as the business and financial expertise needed to assess and realise commercial opportunities. The management of technology will be taught as a specialism alongside the general management programmes and elective courses. The course is one year full-time or two year part-time. City University: UK (0171 477 8633)

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Tel: 0181 879 3355 Fax: 0181 879 1122 Email: mick.gwynne@business-intelligence.co.uk

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MARKETING / ADVERTISING / MEDIA

Using current affairs to add sparkle to campaigns can be a double-edged sword. Alison Smith looks at Tesco's general election offering. Below, Meg Carter reports on integration

Spoof slogans aim to have the last laugh

The UK general election is still more than three weeks away, but the first political poster campaign has just ended.

In mid-March, Tesco, the supermarket chain, placed a series of posters and press advertisements offering a political slant on its long-running campaign to show "unbeatable value".

The posters, at 2,000 or so sites across the UK, presented Tesco's price positioning with spoof slogans on "cuts", "child benefit" and "economic miracle". The campaign is costing about £2m (\$3.2m).

Tesco's print campaign is continuing at a time when politicians appear to have sunk in the public's esteem. Political advertising is criticised for being negative and people may already be bored with the longest election campaign in recent history. Being associated with all this - even as a joke - is not an obvious strategy.

Marc Cave, managing partner of advertising agency Lowe Howard Spink, which devised the campaign, says it was a topical way to refresh the message on prices. "It's true for all advertising: if you can stitch into the fabric of what is happening, you score points for being relevant."

He is also clear that the campaign had to break early to achieve its impact. "When we launched in mid-March the election had not been called and there was mounting election fever rather than election fatigue."

Tesco sees its image as light-hearted and warm, but has not adopted publicity-seeking marketing tactics before. It was careful about the political campaign, explaining its plans to Labour and the Conservatives. It emphasised that the spoof campaign would end well before the election itself.

It also decided that some suggested political treatments were too controver-

sial. One, on the price of onions - featuring the tear which was a hallmark of recent Tory posters - was rejected. But others were too irresistible to dump.

So "demon pies", a parody of the Tory poster attack on Labour leader Tony Blair last year, appeared in The Spectator, the right-wing magazine, while a pile of coins with the slogan "time for change" was placed in the left-of-centre magazine New Statesman.

It was the first time Tesco had advertised in either publication and this aspect of the campaign was not really aimed at shoppers. "We didn't use 'demon pies' for customers," says Catherine Baxendale, Tesco's head of advertising. "We were motivated by the fact that it was appealing to opinion-formers and was amusing." In spite of the ads' publicity, there is a suspicion the campaign may have done more for Lowe Howard Spink than for Tesco.

"The danger may be that this kind of

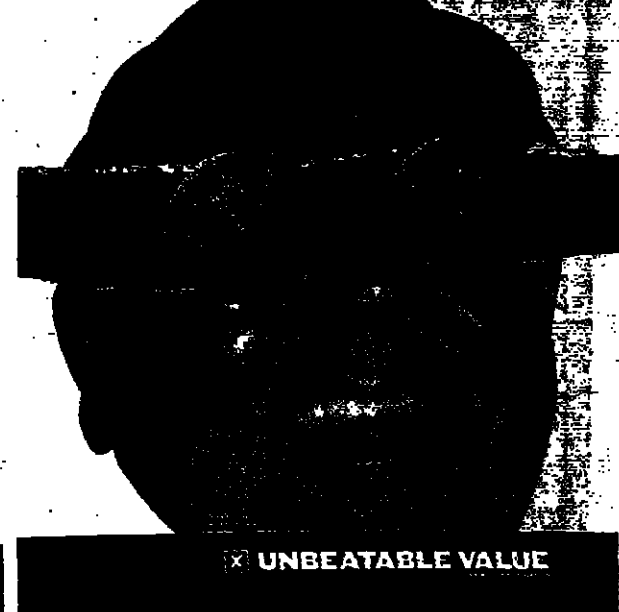
IT'S TIME FOR CHANGE.



Write on our tin headed posters below that we guarantee an unbeatable value.

UNBEATABLE VALUE

DEMONPIES



UNBEATABLE VALUE

Tesco ran ads in The Spectator and the New Statesman

campaign can be very good for the agency but not necessarily quite so good for the client," says Adam Crozier, joint chief executive of advertising agency Saatchi & Saatchi.

He also believes that, for such an approach to work, it must be unique. "If several different advertisers get on

the political bandwagon, then it will be seen as a marketing ploy and people will see through it."

But Tango, the soft drinks brand, has a spoof political campaign of its own. Television advertisements feature a mock election in which Orange, Tango's main brand, urges people to "vote

Orange" rather than support the other three flavours.

David Atlas, Tango's marketing manager, says the irreverent campaign is in keeping with Tango's image and enables it to present its range of flavours while offering some light relief from the election itself.

The advertising industry's new mantra is "integration". Suddenly, every campaign is "integrated". The distinction between such communication techniques as television advertisements and direct mail shots, which would once have been handled separately, is blurring.

But the potential of true integration goes much further. Take Channel 5, the television network launched in the UK last month. Its £25m (\$7.95m) multimedia campaign was created by a "dream team" cherry-picked by marketing and communications director David Brook who tailored his own "virtual advertising agency", known collectively as "Team 5".

The idea was to get the best people in each discipline. The days of the full service agency supplying everything are long past," Brook explains.

The Channel 5 campaign was developed by Brook

with advertising company Mother which, in turn, is working with a Dutch creative operation called KesselsKramer, media independent TMD Carat, media strategists Michaelides & Bednash and design company Wolff Olins. The redefinition of the client-agency relationship moves each side away from traditional roles of buyer and seller in favour of greater co-operation.

"Clients realise having a great TV commercial isn't enough any more - you've got to infiltrate people's lives," explains Graham Bednash, managing partner of Michaelides & Bednash.

He believes the approach has two clear benefits. "Clients have greater control as they are totally involved in how ideas develop rather than intermittently - the usual way - when they get

an update every few weeks." Second, every single piece of communication is considered. "By drawing on a broad range of specialists working together, the client avoids the danger of thinking in boxes."

The results prove the point, Brook believes. Posters and radio were part of a creative media strategy which introduced Channel 5 branding to the fifth column of TV listings pages before its launch. A branded magazine and a TV listings pull-out were distributed via the Sunday Times and The Sun. PR and promotional work with the Spice Girls included a specially commissioned single and the band also features in on-air promotions and editorial. Channel 5 research shows 91 per cent of consumers were aware of the launch and 88 per cent had



Spice Girls: provided a single for Channel 5

seen some of the marketing. Jan Smith, marketing director of the RAC, pioneered a similar strategy and believes it can result in

greater creativity and better targeting. She hand-picked creative and marketing people to form her "virtual agency" after joining the

RAC in 1995. "Quite often the full service advertising agency becomes the protector of the brand rather than of the client," she says. Her "dream team" includes creative duo Dean and Green who, although employed by advertising agency Butterfield Day Devito Hockney, also work independently with Smith.

"Creatively, the ideas come from anywhere around the table," she says. "We start with the brand and strategy, then agree the best way to deliver it. It works, so long as egos and jealousies can be set aside. You have to work together and not be precious about who came up with which idea."

Others developing a similar approach include building society Nationwide and ICO, a telecommunications company which, instead of

creating a classic marketing department, sourced all marketing services externally. ICO appointed the WPP group to create a tailor-made inter-divisional team with individuals from WPP-owned JWT, Hill & Knowlton, Sampson Tyrell, Metro G Force and Research International.

More traditional agencies remain sceptical. "While it's a fine idea in theory, it's an awful lot of work for the client," says William Eccles, chief executive of full service agency Ammirati Puris Lintas. "Heads of marketing aren't paid to put together their own agency. They would have to know who is available, where they are and how to put the right team together - it's a real skill."

Then there's the issue of responsibility. "Whose fault is it if things go wrong?" he

asks. "And how quickly and easily available are additional resources?"

These are genuine concerns, Brook concedes. Close integration between client and "dream team" can only be achieved if the client structures are open and flexible, he adds. But the logistical problems are not as great as they might at first appear.

Scepticism among traditionalists is understandable. The fragmentation of the traditional grip held by agencies on a client's marketing and communications business has inevitable revenue and cashflow implications.

As advertisers clamour for greater accountability and tighter control over how their money is spent, however, "dream teams" are one viable solution, Brook says. "As clients get more knowledgeable about the different parts of the marketing process, they will become a more common approach."

Dream teams redefine relationships

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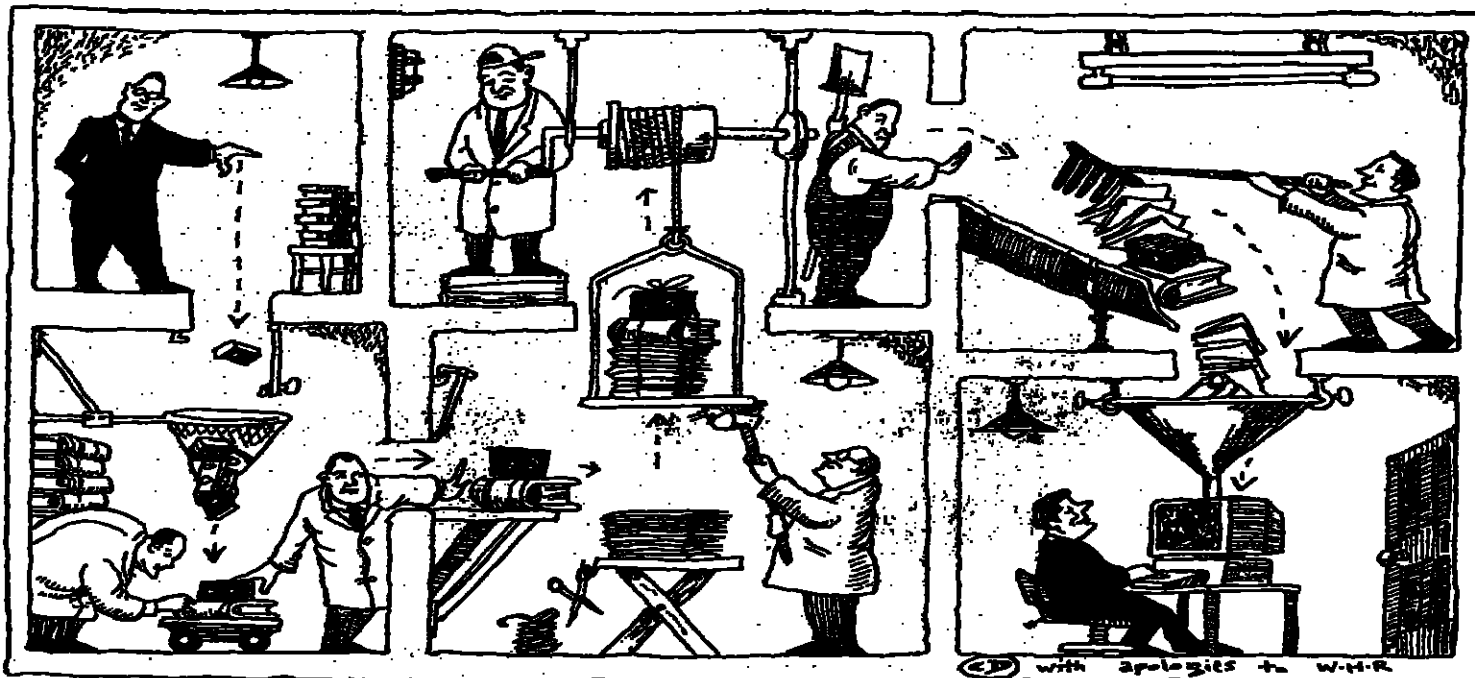
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There's the devil to pay

Nicholas Denton looks at online companies' pricey battle to attract users

The dance with the devil that is what George Bell, chief executive of Excite, the self-styled TV guide to the Internet, calls relationships on the web between companies that generate traffic and those trying to draw users to their online offerings.

Excite and other navigation services such as Yahoo! have recently agreed, for the second year running, to pay Netscape \$5m (£3.1m) each for the traffic it generates for them. Netscape controls the most popular starting point for web novices because its popular browser programme sends users automatically to its own home page. From there, a "button" effectively the real estate for which the navigation services are paying - sends users on to Excite and Yahoo!.

Paradoxically, only by luring Netscape users via this hot-link can companies like Excite ultimately break away from the software company's unwelcome embrace.

The navigation services, or search engines, which guide users to destinations throughout the Internet, control their own stretch of the channel for online information. Five of the top 10 Internet sites accessed at least once in January were navigation services, according to PC Meter which monitors home web usage. This gives the navigation services the chance to strike tough deals with others lower down the

Internet chain, securing their future. Excite's financial section, for instance, carries stock quotes from Quote.com, a low-cost provider of market data. Although Quote.com runs its own web site, it values the customers Excite can deliver.

If a user clicks with a personal computer mouse to find the nearest gains of the day, a list of prices provided by Quote.com comes up within Excite's site. Only when users ask for details on an individual stock are they transported to Quote.com itself. Even then, the page carries the Excite logo.

Netscape is not the only traffic generator that knows how to tempt. "It is a dance we'll have ourselves with content providers," says Bell. He wonders jocularly whether content providers - companies that supply news, quotes and other services - will one day resent the navigation services upon which they rely as much as Excite resents the existence of Netscape.

This model suggests that the navigation services may become the network television of the Internet: profiting from their control of distribution, but dependent on outside production companies for their hit shows.

Just as the makers of *Seinfeld*, the popular US sitcom, have some power over NBC, the US television network, so content companies with powerful brands such as CNN

should maintain an independent presence on the web, according to most industry experts. Haley Minor, chief executive of CNET, a computer news and advice service that provides online content, is dubious about the prospects of the weaker brethren. "The power is with those people who have traffic and brands. A content company is going to have to decide whether it is a website or just a provider," he says.

Hoover's Online and Zacks Investment Research, both of which provide US company data, already distribute largely through the navigation services. No big content provider has yet abandoned its independent efforts, but CNET's Minor asks: "If Excite controls the top two pages [of a company's online material], at what point do they suck the whole thing in?"

With clout comes revenue. "When we were really small, we did the deals we could do," says Tim Koogle, chief executive of Yahoo! But the navigation service now insists on receiving a majority of advertising revenues from pages hosted on its site.

"In the past three months I've become aware how sustainable the concept of a navigational hub is. It is clear how important it is for content folks to be closely tied to a hub," Koogle says.

Yahoo!, Excite, Lycos and Infoseek, the four leading quoted navigation services, have a combined market capitalisation of \$1.5bn in spite of continuing losses.

Robert Reid, venture capitalist and author of *Architects of the Web*, a new book on the growth of the Internet, argues that two-year-old Yahoo! is potentially the most powerful media title in the world.

The danger for navigation services is that users, having roamed the web with their aid, will fall back on a few familiar content websites. Netscape, which already encourages users to "bookmark" pages, in the latest version of its browser enables them to go directly to a favourite site by clicking on an icon on permanent view on the software toolbar.

Yahoo! and Excite trust in the appeal of serendipity - finding good things by chance on a navigation service. And their customer base is constantly refreshed by the influx of novice users in need of guidance around the complex web. The proportion of web surfers using navigation services - about three-quarters - is growing rather than shrinking.

"Over time, people's navigation habits may get calcified," concedes Bell. But it will be a slow process. By the time a content website establishes its own loyal customers and tries to break with the navigation service, it may find it is already possessed by the devil.

Tim Jackson

Court on the Net



You might call it the "wire service paradox". Companies are pouring resources into ways of carrying broadcast voice and video over the Internet - in spite of the lack of proven markets. Yet the much humbler technology for broadcasting text-based "chat" between individuals, but few businesses have explored live text broadcasting.

It doesn't exist," says Quinn. "The quality is simply not good enough." Instead, wordcasters use highly skilled transcribers, likely to earn \$200,000 (£128,000) a year, to turn speech to text on standard court reporting machines.

Here's what happens. Tapping away at a traditional machine, the transcriber types the speaker's words in phonetic shorthand, which is sent over the Internet to the Wordcasters server. Dictionary software converts the shorthand into plain English, checks for errors, and then sends it out over the Internet. Any one connected across the Web to the site can then watch the words pop up one by one on their screen.

But, so far, there is almost no true live text broadcasting on the Internet. Dozens of "push" broadcast technologies send out information every few hours or minutes, and one-to-one or "narrowcast" technologies are used for text-based "chat" between individuals, but few businesses have explored live text broadcasting.

One company that has done so is Wordcasters Corporation of San Francisco, which last week broadcast - live - the written text of speeches at an Internet technology conference.

The company's founder is Susan Quinn, 29, who set up her own transcription service after training as a court reporter. The idea came out as "hairy ball" compared with the raw output from most shorthand writers. Wordcasters is doing well. The most striking conclusion from reading the company's transcripts is that even fluent and highly intelligent people rarely speak in complete sentences.

Last week's conference was a proof of the technology. Wordcasters clearly has market potential. Transcripts are much more useful than standard voice recordings because they allow you to skim sections

at a glance and are also easier to store and retrieve than sound recordings. Industry conferences are an obvious market. Part of the reason for attending them is to press the flesh; but the costs of time, travel and accommodation make them unattractive. Clients might be willing to pay several hundred dollars for an electronic transcript. Future conferences might offer three tariffs: \$1,000, say, to attend in person, \$1 a speech for those willing to read off a screen for hours, and \$250 for a permanent, archivable set of proceedings from Wordcasters.

Quinn also plans to target annual shareholder meetings. Tandon Computer, a PC manufacturer, has engaged the company to "wordcast" its next meeting to its own employees via an intranet. Commercial service is being offered to other customers at rates of \$8,000 for two hours or \$18,000 a day.

Another feature of the system allows the person reading the text feed to type in questions for the speaker which are relayed to a moderator at the Wordcasters web site. Quinn plans to develop this into a fully fledged voting system, possibly for voting by stockholders.

This latter application is a brilliant idea doomed never to make money. It would provide a dramatic increase in "shareholder democracy". But most corporate executives see shareholder meetings as minefields and do all they can to reduce the uncertainty of outcomes by priming owners of large blocks of equity in advance. I do not believe many would be willing to pay for a technology that increases their uncertainty.

Wordcasters' technology might also be used in parliamentary transcription. Quinn is looking for venture capital this summer; she is likely to have many takers.

tim.jackson@pobox.com

Small screen alcohol ads attract president's attention

Pressure is on US distillers to restore a ban self-imposed in 1948 but recently broken, writes Richard Tomkins

First it was bacxy, now, it's booze. With US cigarette makers besieged by anti-smoking forces, pressure is coming to bear on that other big "sin" product of the US economy - alcoholic drinks.

President Clinton is tomorrow expected to write to the Federal Communications Commission asking it to determine whether alcohol advertising on television should be banned, as cigarette advertising was in 1971.

In a decision reflecting the administration's recent crack-down on under-age smoking, the White House said Clinton wanted the commission to explore whether alcohol advertisements were inducing young people to drink.

doing so was clear: sales of hard liquor had been declining in the US for two decades, while sales of wine and beer, which had been advertised on television all along, were going up.

The distillers said they wanted to be able to compete with the beer and wine companies on a level playing field. After all, they said,

broke a voluntary ban on television advertising that the liquor companies had imposed on themselves in 1948.

In November, the rest of the US distilled spirits industry followed Seagram's lead by scrapping the ban altogether. Their motivation in

The White House said that President Clinton wanted the commission to explore whether alcohol advertisements were inducing young people to drink

the big television networks refused to accept them. But, inevitably, the decision provoked a backlash. Public health advocates accused the liquor industry of targeting the young, and the president himself urged companies to "get back on the band".

With the industry showing no inclination to budge, the administration is now seeking

to force the issue, but this is not as straightforward as it appears. On the one hand, it seems unfair to crack down on tobacco and not on alcohol, a leading contributor to car crashes, murder and suicide - the three main causes of death among people aged 16 to 24. On the other, the US constitution provides powerful protections for advertisers' right to free speech. And if liquor advertisements are banned, why should those for other alcoholic drinks be allowed to stay?

Some observers believe the liquor industry's hidden agenda is not to get its own advertisements on the air, but to get those for other alcoholic drinks banned. That would remove the wine and beer producers' edge.

Liquor producers strongly deny this. They say a total ban on advertising would harm everyone because it would send the wrong message about alcohol. Even so, the gambit looks like one from which, whatever the outcome, the liquor industry has little to lose.

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The following companies want you to know that you can find out more about them by simply looking them up on the World Wide Web.

These can be accessed via hypertext directly on the Financial Times at <http://www.ft.com>

<p>www.uno.org</p> <p>READ</p> <p>"Unorganization"</p> <p>downstructuring towards</p> <p>collapsible corporations</p> <p>on-line</p> <p>www.uno.org</p>	<p>International Internet Name Registration</p> <p>net names</p> <p>Have you registered your company, trade and product names around the world? 300,000+ names are already registered, are yours?</p> <p>Protect Yourself. Register Now</p> <p>FREEPHONE 0800 269249</p> <p>http://www.netnames.co.uk</p>	<p>Tired of paying for your business information?</p> <p>www.businessmonitor.co.uk</p>
<p>Earth Council Organisation "ECO"</p> <p>A free cyberspace counterweight to the forces of globalisation and standardisation needed to make this 21st century community a reality. You are invited to join blue planet discussion forums on structural, legal, financial, social issues on http://www.eco.org</p>	<p>INTERNET BROADCASTING COMPANY</p> <p>Business opportunity</p> <p>Broadcasting Events</p> <p>On-line Camera Systems</p> <p>Promotional Web Services</p> <p>Call 0958 346650</p> <p>ibc@comcast.co.uk</p>	<p>SeQuoia</p> <p>Need help understanding how your business is affected?</p> <p>Essential information for Company Secretaries and Directors.</p> <p>http://www.worldcompuserve.com</p> <p>homepages@sequoia.com</p>
<p>Holiday Inn</p> <p>EXECUTIVE EXTRAVAGANZA!</p>	<p>Online</p> <p>Information Call:</p> <p>212-887-8325</p> <p>WWW.AMM.COM</p>	<p>faxaway</p> <p>The Internet's Largest Email-to-Fax Service</p> <p>Fax from anywhere in the world to the U.S. for only 10¢ a minute!</p> <p>• Reseller Inquiries Welcome</p> <p>Email: info@faxaway.com</p> <p>www.faxaway.com</p>
<p>Russia</p> <p>Everything you need to know about Russia.</p> <p>www.russia.net</p>	<p>FLEMINGS</p> <p>Every week on a Monday</p> <p>The FT presents</p> <p>the chance to advertise your internet site to the FT's influential readers in full context and with</p> <p>In addition to advertisements also appear on FT Sites - the FT's Internet site. This gives your website exposure to almost one million users a day.</p> <p>For advertising rates and further details, please call</p> <p>Chris Ballmann on 0212 673 2294</p>	<p>Memory & Upgrades</p> <p>Memory for all computers</p> <p>peripherals, modems, soundcards, network cards, CPUs, drives etc</p> <p>Best prices and quality</p> <p>Est. 1987</p> <p>computer 88</p> <p>tel: 0181 438 1985</p> <p>www.computer88.co.uk</p>
<p>Cyber sightings</p> <p>There seems to have been a rash of golf magazines on the web recently, probably indicative of the increasingly high disposable income of business users both in the US and in the UK. Golf Today (www.golftoday.co.uk) looks like being one of the better efforts.</p> <p>Updated daily, it's the first of its kind to be edited specifically from Europe.</p> <p>Editor Stan Ellison says that: "[The Internet] is becoming more accessible because of computers at home and the workplace. The Golf Today guestbook allows golfers all over the world to interact on every category of the game."</p> <p>● Central European Business Daily (www.cebd.com) is a news service dedicated to the Central European region, compiled daily by e-mail from reporters in the region. Well worth a look if you specialise in the former eastern bloc countries.</p> <p>● Upside (www.upside.com) is a rather niche web journal covering the business of the technology sector. From the Bill Gates wealth counter on the initial navigation bar through to the Real Audio interviews with key industry figures, it's well worth a look. It features a daily news digest, as well as details of upcoming conferences and company profiles.</p> <p>● Deloitte & Touche Consulting Group has set up PeerScope (www.peer-scope.com) as a centre for members and company employees to use as a business resource. It contains company and sectoral report information. The group is currently putting together its premium contents area.</p> <p>● For some basic information concerning training, specifically for women in Europe, try the International Training Centre for Women (www.internationaltrainingcentre.org). It's not pretty, but might steer you in the right direction if you're in the personnel field.</p> <p>● Transformers, a California-based firm of web developers, has moved away from its usual fare of creating virtual worlds to a virtual burial ground (www.transformation.com). Visitors can check out the resting places of notables from Plato to Leonardo da Vinci to Wyatt Earp. It bills itself as the "home of the living impaired". You can even buy your own plot.</p> <p>steve.magpook@ft.com</p>	<p>Hotel & Travel INDEX ONLINE</p> <p>REED TRAVELER.NET</p> <p>THE ONE-STOP SOURCE FOR ACCOMMODATIONS INFORMATION WORLDWIDE</p> <p>http://www.traveler.net/hilo</p> <p>hwinfo@oag.com</p> <p>Telephone: (201) 502-7768</p>	<p>Demion Internet</p> <p>of net growth</p> <p>the largest European Internet Service Provider</p> <p>0181 371 1250 E-mail sales@demion.net http://www.demion.net/</p>

BUSINESS TRAVEL

Travel News • Roger Bray

Extra slots sought

Talks aimed at increasing the number of flights between the UK and Singapore are expected to resume this month. Singapore Airlines would like the bilateral air agreement relaxed so it can operate a third daily service to and from Heathrow. Unless capacity is increased there will be upward pressure on fares and business travellers might have greater difficulty booking the flights they want.

The airline also wants to start trans-Atlantic

connecting services from London. This could prove trickier to negotiate, but if the planned link between British Airways and American Airlines leads to a UK-US open skies agreement, SIA's proposed operation might take off in the slipstream.

Space for Angola

Travellers to Angola should check that they have enough space in their passports for immigration stamps. Otherwise, the UK Foreign Office warns, they may be detained and

deported. The Angolan embassy in London says one full page should be enough.

The Foreign Office says there have been only low-key violations of the ceasefire between the government and UNITA rebels, but expatriates are prime targets for armed hold-ups, including carjackings. Extreme caution is needed in Luanda, the capital, in the early evening or at night and visitors should not venture out of town without expert advice.

Heartening result

Qantas says 23 people suffering heart problems

have been helped since it introduced defibrillators on aircraft and in airport terminals six years ago. Six survived long-term.

Dr Eric Donaldson, general manager of the Australian airline's health services, told a recent cardiology conference: "The equipment will not save every victim of a heart attack but it will give them a chance which would not otherwise be available."

Taiwan direct

In spite of renewed tension between Beijing and Taipei, the imminent handover of Hong Kong is expected to hasten the launch of direct

flights between Taiwan and the Chinese mainland. Taiwan-based Cathay

Airlines has already secured a guarantee from Beijing that it will continue to serve Hong Kong for at least five years after the withdrawal. Although its management is anxious not to break political eggshells by appearing over-optimistic, some observers believe direct operations could be approved by the end of this year.

One potential sticking point is that Hong Kong, which is developing a new airport at Chek Lap Kok, stands to lose a significant amount of lucrative transfer

traffic. The airline, which operates 105 round-trips a week between Taipei and the colony, says about half the passengers catch connecting flights.

Delayed en route

Business efforts to market a new "lighter" card providing faster and reduced-price access to a host of activities has been hampered by Hungary's customs authorities, Easter

Edy writes. Two days after the launch of the new card, the stamps needed to validate the tickets were still stuck in the in-trays of customs officials.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thurs	Fri
Beijing	25	20	20	20	22
Frankfurt	9	14	17	17	17
J. Angeles	27	27	28	28	18
Paris	14	17	19	20	19

BEIRUT DAMASCUS Amman

Airline executives often speak of putting "bums on seats", but they are far less enthusiastic about putting them on screens.

There is a scene in *Shine* in which the central character, the young Australian pianist David Helfgott, picks up the mail from the front hall of his London lodgings. His landlady bids him good morning and turns to watch him climb the stairs before realising he is wearing nothing but a sweater. The scene underlines both Helfgott's naivety and his absent-minded concentration on his music.

But passengers watching the movie on United Airlines North Atlantic flights will be none the wiser. They will witness the landlady's bemusement - but not the buttock to be seen.

United's non-US rivals blame the cut scene on the streak of prudishness that still runs through much of American society. "They probably had to keep an eye on the Bible belt," notes one.

When it comes to on-board censorship, however, US carriers are far from alone. If you are flying to the Middle East with British Airways, for example, don't expect to see *Fierce Creatures*, the follow-up to *A Fish Called Wanda*. Mark Horton, who buys films for airlines including BA and Israeli carrier El Al, says: "I'm not showing it on those routes because Jamie Lee Curtis wears extremely low-cut dresses and very short

Roger Bray on the vexed question of censoring films on flights

No sex please, we're airborne

miniskirts and there is a lot of sexual innuendo."

Such censorship can appear patronising, says Neil McBain, director of Speed, which manages BA's in-flight entertainment. But carriers that miscalculate can be asking for trouble. Although such stories are often based on vague memories, officials recall legal action by passengers who complained about films which included nudity, and the time Moslem passengers tore down a screen when they saw a woman's naked back as she climbed from the bath.

Films which upset travellers on one route are often acceptable on another. European airlines are now primarily concerned not to show gratuitous violence. Carriers based in Moslem areas - or operating there - are generally happier to show violent action than too much bare flesh.

There are exceptions even to this broad rule. BA avoided showing *True Lies* on Arab routes. The movie starred Arnold Schwarzenegger as a cross between Rambo and James Bond saving the world from Islamic fundamentalists. It was clearly a wise decision, since the airline still had to field complaints from Arab passengers who saw the film on

other services and felt it stereotyped them as terrorists.

The problem, says United, is finding a common denominator. "When our customers have control of what they see - passengers in first class who can select videos and watch them on handheld Sony - we don't provide edited versions. The movie would just carry an 18 rating with a warning that it contained scenes showing whatever."

"But when films are shown via the overhead system or on seatback screens we have to make sure that the majority of people can watch them without being offended. And that has to include children. Obviously the things we are sensitive to are violence, bad language and graphic sex. Some movies are simply too long for our schedules and will only be shown if the studio can come up with a cut version which is artistically acceptable."

United has organised focus groups of customers to test reaction to in-flight movies. It says that roughly 80 per cent of participants are in favour of editing. But, says the airline, "when it is pointed out that their children could be watching, the percentage is sometimes a little higher."

Sometimes airlines are



stuck with an edited copy by mistake. When BA ordered *When Harry Met Sally*, it was requested that the film's defining moment, a scene of a couple in a car, be removed. But, says the airline, "when it is pointed out that their children could be watching, the percentage is sometimes a little higher."

BA faces a completely dif-

ferent problem with the Oscar-winning British movie *The English Patient*.

"There are some scenes which, by choice, we might edit," says McBain. "For example, there is one where someone who is believed to be a spy gets his thumbs cut off. You don't see the whole process but you see enough - the wire going over the thumbs and a

line of blood. I guess it's pretty chilling. There is also a certain amount of nudity." Efforts to negotiate cuts with the director, he says, proved unsuccessful. "So, as an airline, you are left to decide whether to book a movie with scenes which some people might find offensive but which has just won nine Oscars, and which a huge number of other people will enjoy. We will probably get complaints, but we're going to put it on anyway."

BA also draws a sharp distinction between economy cabins where films are viewed on a common, overhead screen and premium classes, with multi-channel systems. "We do show completely unedited movies in Club and first class." Although it sometimes draws passengers' attention to the content of films, "we don't put a health warning on every single movie."

Some films would not be offered at all, says McBain. BA would probably not, for example, show the controversial film *Crush*, whose characters are sexually aroused by road accidents. "It might find its way into first-class video libraries, but only after very serious and lengthy consideration. We are trying to entertain people, not shock them."

When fare may not be fair

Tokyo, the city of the \$100 (81) taxi ride, is finally giving its residents a break on its deadly taxi fares - but only if you're just going around the block. AP reports from Tokyo.

Starting this week, a few select taxis in the Tokyo metropolitan area are cutting their minimum fare for a 1km ride roughly in half, all in the name of greater competition. But the "cheaper" taxis only give you a discount on rides of less than 2km - after that, they turn out to be even pricier than, well, the pricey ones.

Taxi-riding is an expensive fact of life in Tokyo, where trains and subways stop running about midnight, often stranding workaholic office men and leaving partygoers strolling the city streets after hours. Fares can easily run to more than \$100, and workers facing trips of an hour and more to distant suburbs often opt to spend the night in a tiny "capsule hotel" cubicle in the city rather than face

having to pay a hefty taxi bill.

While the taxi move is being billed as a sign of a changing Japan, where regulations often keep prices sky-high, it also provides evidence that for those who live in Tokyo things on the taxi front will remain pretty much the same.

Under the new system, which began with this fiscal year, some taxis will charge ¥340 (\$1.70) for the first kilometre.

After that, ¥80 is added for each further 250 metres. That comes out to ¥680 for a 2km ride - more expensive than the ¥650 minimum under the old system.

Nagayoshi Saito, an official with the transport ministry, says the new taxi fare structure is aimed mainly at the growing ranks of elderly Japanese who could need quick rides to and from nearby railway stations or hospitals.

But you will need a dose of good luck to find one - only 4 per cent of the taxis cruising Tokyo's boulevards are using the new fares.

PUBLIC CALL FOR BIDS

SALES OF ASSETS AND TRANSFER OF LIABILITIES OF THE ONGOING BUSINESS

BANCO CONTINENTAL S.A.

1. Banco Continental S.A., duly authorized by its General Meeting of Shareholders (Banco Central del Ecuador), invites domestic and foreign financial institutions, as individuals or consortia, to participate in the Process of the Sales of Assets and Transfer of Liabilities of Banco Continental S.A. under conditions which assure the interests of the depositors and the public in general, and in such a way as to maintain the normal development of its financial activities.

For the purposes of this call for bids, financial institutions shall be understood as those entities which regularly develop activities of financial intermediation or which demonstrate the ability to manage a financial institution.

2. Information regarding the Process of the Sales of Assets and Transfer of Liabilities of Banco Continental S.A. may be obtained at the General Secretariat of Banco Continental on the fourth floor of its headquarters, located at calle Cordova 811 and Victor Manuel Rendón in the city of Guayaquil, Ecuador, as of Wednesday, April 2, 1997, upon prior payment of the non-refundable sum of FIVE THOUSAND UNITED STATES DOLLARS (US\$5,000) as a registration fee, the payment of which must be made by certified check to the order of Banco Continental S.A. This information shall be delivered once a Confidentiality Agreement has been signed with SBC Warburg, a Division of Swiss Bank Corporation.

3. The information on the Process of the Sales of Assets and Transfer of Liabilities is composed of:

- A general information package on Banco Continental S.A., as of December 31, 1996 which contains: Consolidated Financial Statements, Investment Information, Portfolio, Fixed Assets, Deposits and Human Resources;
- The document "Instructions for Bidders";
- The document "Procedures for the Awarding of Assets and Liabilities";
- The list of Assets and Liabilities of Banco Continental S.A. related to the transaction, on diskette;
- The draft of the Agreement for the Sale of Assets and Transfer of Liabilities; and
- Documentation regarding the Special Credit granted by Banco Central del Ecuador, under the protection of the article 28 of the Law of the Monetary System and the State Bank.

4. In accordance with that set forth in "Instructions for Bidders", bidders may make visits and perform interviews with the management of Banco Continental S.A. ("Due Diligence") during a limited time and under the control and supervision of SBC Warburg. During these visits, the bidders shall have access to a data room ("Information Room" or "Data Room") in the headquarters of Banco Continental S.A.

5. The bids, written in the Spanish language, must be presented in two sealed envelopes, with the due security measures taken to prevent knowledge of their contents prior to their official

opening. On the envelopes the following titles must appear: "Envelope A: General and Technical Information of 'X' and 'Envelope B: Economic Bid of 'X', in which 'X' shall be the name or corporate name of the bidder. In addition, the bids must refer to all assets and liabilities stated in the List of Assets and Liabilities to be provided to the bidders.

6. The bid shall be delivered to the General Secretariat of Banco Continental S.A. on the fourth floor of its headquarters, in the city of Guayaquil, Ecuador, by 4:00 p.m. Friday May 2, 1997, the date and time at which the receipt of bids shall close. The General Secretariat of Banco Continental S.A. shall provide the corresponding receipt to the interested party.

7. On that same day, May 2, 1997, at 5:00 p.m., in the Board room of Banco Continental S.A., located on the fourth floor of the bank's headquarters, in the city of Guayaquil, the Award Committee, composed of the General Manager of Banco Continental S.A., who shall act as chairman, and two members designated for such purposes by the Bank's General Meeting of Shareholders, shall proceed with the opening of the Envelopes A: General and Technical Information of the Bidders. In the presence of those bidders who wish to attend or their delegates.

8. Bidders must not have litigations pending or past due obligations with either Banco Continental S.A. or Banco Central del Ecuador. The information presented by the bidders shall be maintained in strict confidence and shall be used solely and exclusively to evaluate the bids presented for the purchase of assets and transfer of liabilities of Banco Continental S.A.

9. The Procedure for the Awarding of Assets and Liabilities shall include the following steps:

- The Technical Qualification performed by SBC Warburg between May 3 and May 7, 1997.
- May 8, 1997, at 9:00 a.m. in the Board Room at Banco Continental S.A., the Award Committee shall open Envelope B: Economic Bids of those bidders who were technically qualified in the previous step.
- Between May 8 and May 16 1997, the award Committee, with the assistance of SBC Warburg, shall proceed with the analysis of the economic bids.
- The Award Committee shall determine the awarded bid on May 19, 1997 at the latest.
- The Agreement for the Sale of Assets and Transfer of Liabilities shall be executed with the awarded bidder, following prior authorization by the Monetary Board, within its jurisdiction and the Superintendency of Banks, the latter under the protection of article 182 of the General Law of Financial System Institutions.

10. Banco Central del Ecuador shall determine a reference price which shall be communicated solely to the Award Committee for the evaluation of the economic bids.

THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY

Abbey Natl 104% Non-Cum Sterling
R14.15p
AIM Group 3p
Barbour Index 3.15p
Barclays 6.85p
Batem 0.2p
Bradford & Bingley Bldg Scty 13%
Pern Int Bearing SHS 0.25p
British Assets Trst 1.1677p
BTM Finance (Holland) Gld Dual Basis
Bids 2004 \$31028.47
Bucard Group 0.25p
Bulough 4.3p
Canton Communications 6.72p
Cassidy Brothers 0.75p
Coughlin & Gray 1p
Electronic Data Processing 1.533p
Eurotel Group 1.85p
First Leisure 6.93p
Hewlett 1.15p
Grand Metropolitan 10.05p
Kelo Manufacturing 6.9% Bids 1998
Lorho 1.25p
Lo 1.75p
Machias 1.5p
Merrill-Sachs Group 2.15p
Microgen 5.4p
Mid Wynd Int Inv Trst 3p
Parfume Group 2.4p
Prestmark Int Inc \$0.05
PWS 0.25p
Quyle Munro 4p
Rank Group Finance 84% Bids 2000
AS120.0

UK COMPANIES

TODAY

COMPANY MEETINGS:
Preston Alm VCT, 15, Lower
Grosvener Place, S.W. 2.00
TR Pacific Inv Trst, 3, Finsbury
Avenue, E.C. 12.30
BOARD MEETINGS:
Fines:
Barclays Capital
CPS Group
DGS Group
Goldsmiths Group
Intermedia Capital Group
Moss Bros Group
Thompson Cite Inv
Tristram
Interim
Manchester United
NY Hedge
TOMORROW
COMPANY MEETINGS:
Millar & Co. Properties, 10, 11, 12, 13
Baker Street, W. 12.00
BOARD MEETINGS:
Fines:
Brands Hatch Leisure

WEDNESDAY APRIL 9

Bank of Melbourne FRN 1997 \$14.53
Brierley Inv N280.04
Catalis & Fowler 0.3p
Countrywide Props 1.1p
Domino Printing 7p
Germano Enterprises Trst 1.25p
JAF 2.2p
Jish Permanent FRN 1998 £168.25
Met Water Board Grand Junction
Water 3% Ds £1.50
Do West Midch Water 3% Ds £1.50
Nippon Credit (Guarant) Fr Gld Fxd/
FRN Oct 2004 \$309.55
Norsk Hydro 84% Bids 1997 \$412.50
Siebe 4.3p
State Elec Comm of Victoria 11% Gld
Nts 2002 \$5110.0
Stoves 2p
THURSDAY APRIL 10
Edinburgh Int Trst 1p
GGT 2.3p
Hawthorn Brewery 4p
Do A Ltd/7p 4p
Hertys 10p
Lax Leisure 9.5p
Polly Morris 81.2p
Povner 3.7p
FRIDAY APRIL 11
Adwest 2.3p

TODAY

Alexanders 0.1p
Do A Rest/Vtg 0.1p
Almex 2.45p
Armstrong 1.25p
Asian Dev Bank 11% Bids 2001 £110.0
BWD Soc 4p
Conversion 10% 2002 £5.0
Cord Assets Trst 3p
Courts 1p
DKB Int Fxd/FRN Apr 2005 \$30712.50
Dudley Jenkins 1.5p
Finning Inc & Growth Inv Trst 2.73p
Ryfig Powers Units 3.4p
Gardner 0.65p
Inn Business 1p
Relston 12.85% Rd 2007 £6.325
Jos 3.15p
London Fin & Inv 0.8p
Newman Tonks 4.4p
Stalis 1.2p
Torbanks 3.05p
Trest 3.8p
Trust of Property Shares 1.8275p
Wyko 1.4p
SATURDAY APRIL 12
Cornwall Parlor 1p
SUNDAY APRIL 13
Treasury 9% Ln 2008 \$4.50

TODAY

COMPANY MEETINGS:
Preston Alm VCT, 15, Lower
Grosvener Place, S.W. 2.00
TR Pacific Inv Trst, 3, Finsbury
Avenue, E.C. 12.30
BOARD MEETINGS:
Fines:
Barclays Capital
CPS Group
DGS Group
Goldsmiths Group
Intermedia Capital Group
Moss Bros Group
Thompson Cite Inv
Tristram
Interim
Manchester United
NY Hedge
TOMORROW
COMPANY MEETINGS:
Millar & Co. Properties, 10, 11, 12, 13
Baker Street, W. 12.00
BOARD MEETINGS:
Fines:
Brands Hatch Leisure

WEDNESDAY APRIL 9

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Siebe 4.3p
State Elec Comm of Victoria 11% Gld
Nts 2002 \$5110.0
Stoves 2p
THURSDAY APRIL 10
Edinburgh Int Trst 1p
GGT 2.3p
Hawthorn Brewery 4p
Do A Ltd/7p 4p
Hertys 10p
Lax Leisure 9.5p
Polly Morris 81.2p
Povner 3.7p
FRIDAY APRIL 11
Adwest 2.3p

TODAY

Alexanders 0.1p
Do A Rest/Vtg 0.1p
Almex 2.45p
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Asian Dev Bank 11% Bids 2001 £110.0
BWD Soc 4p
Conversion 10% 2002 £5.0
Cord Assets Trst 3p
Courts 1p
DKB Int Fxd/FRN Apr 2005 \$30712.50
Dudley Jenkins 1.5p
Finning Inc & Growth Inv Trst 2.73p
Ryfig Powers Units 3.4p
Gardner 0.65p
Inn Business 1p
Relston 12.85% Rd 2007 £6.325
Jos 3.15p
London Fin & Inv 0.8p
Newman Tonks 4.4p
Stalis 1.2p
Torbanks 3.05p
Trest 3.8p
Trust of Property Shares 1.8275p
Wyko 1.4p
SATURDAY APRIL 12
Cornwall Parlor 1p
SUNDAY APRIL 13
Treasury 9% Ln 2008 \$4.50

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ARTS

OPENINGS

LONDON

David Alden and Mark Elder, two leading lights of English National Opera's powerhouse are back at the Coliseum with a new staging of Berlioz's *The Damnation of Faust*, opening tonight. Bonaventura Bottone sings the title role, with Willard White (above, right) as Mephistopheles and Louise Winter as Marguerite. Sean Phillips (right) returns to the West End on Tuesday as Dietrich - in *Marlene*, a play by Pam Gems - at the Lyric, Shaftesbury Avenue. Sean Phillips, who directed Phillips in the National Theatre's 1995 *A Little Night Music*, directs.



MUNICH

A focal point of this year's Munich Biennale, opening tomorrow, is the world premiere of *The Juniper Tree*, a new opera by English composer Richard Watkins (b. 1944). The production, sponsored by the British Council, is conducted by Markus Sling and staged by David McVicar. After three performances at the Muffinschale, it will be seen at London's Almeida festival in June.

BOLOGNA

The Nuova Scena presents a new production of *Woyzeck*, by Carl Buchner, which includes the British disabled dancer company Cando. The director is Nevil Garte.

PARIS

The Paris Opera presents the Châtelet this week a four performance of *Les Femmes d'Alger* (O. J. L.). The production, new in December, is conducted by Pierre Boulez. It is the last of the series of the Paris Opera's new productions. The Paris Opera presents the Châtelet this week a four performance of *Les Femmes d'Alger* (O. J. L.). The production, new in December, is conducted by Pierre Boulez. It is the last of the series of the Paris Opera's new productions.

NEW YORK

Godfred von Ehren's *The Visit of the Old Lady* receives its New York premiere tomorrow at City Opera. First staged in Vienna in 1971, the opera is based on Dostoevsky's 1868 novel about an old woman's last wish for revenge. Godfred von Ehren conducts a staging by Klaus Fuchs, with Joyce Castle in the title role.

DUBLIN

This week, the Gate Theatre launches its second three-week Festival. Whereas Harold Pinter (below) directed his own masterpiece *Landscape* for the 1994 festival, this time he launches the festival by acting in one of his earliest plays, *The Collection*.



The musclebound, psychotic twosome - Patrick O'Kane as Wayne and Dena Davis as Scout

Alastair Muir

Theatre

Holster-packed passion

David Benedict finds there is more to Popcorn than thrills and kills

It has always seemed clear to me that behaviour is primarily a reflection, albeit distorted, of society's messages to its people... If we collectively opt for the misanthropic, that's what we must surely get back. So said Oscar-winning film director Anthony Minghella.

Bruce Delamitri, the Oscar-winning director in Ben Elton's exhilarating, fiercely satirical comedy has no such qualms. His bonanza movie *Ordinary Americans* contains 57 killings across four states but has allegedly inspired random copycat murders by a white trash couple Wayne and Scout, "the Mail Murderers".

"I don't make killing cool. I make killing as the movies cool," argues Delamitri. The New York Times hailed his violent, glamorous portrait of murders to rock music as "ironic and subversive".

and he staggers home from Oscar success clutching a Miss February centrefold only to come face to face with the real-life killers. Elton's zinging, punchy thriller has a cartoon vigour and a holster-packed with smart-mouthed one-liners but more surprisingly, *Popcorn* has the moral purpose of Jacobean revenge drama. Like Delamitri, the freeborn American killers - not a million miles away from the creations of Oliver Stone - want to disclaim all responsibility and are willing to sacrifice Delamitri's producer, wife and daughter to carry out their plan.

"Straighten yourself up, there's going to be TV cameras," barks the baying, Debora Weston as the hard-bitten, bottle-blond wife at the comic-horror climax. Celebrity guarantees that no matter how guilty you are, you can still be innocent.

Discovering a passionate

debate about individual responsibility in a Shaftesbury Avenue comedy is as shocking as walking in on Mickey Mouse having sex, but *Popcorn* is much funnier. The sequence about public hair stylists on nude photoshoots - "one hell of an occupation, I'd work weekends" - is not only a West End first, but reduced the women in front of me to hysterics.

Elton also works big laughs out of the inverted system of values. Dena Davis is terrific as gun-toting Scout, flipping between creepy innocence and psychotic anger as she insists her boyfriend take his feet off the sofa while wreaking havoc on Jane Clough's perfect, tasteless set. She is more than matched by a malevolent, marvellously assured Patrick O'Kane as Wayne, a swaggering, musclebound stick of dynamite on a terrifyingly short fuse.

Danny Webb does everything in his considerable range to bring

depth to the amoral Delamitri, but even he cannot quite turn the debate into fully realised drama. The construction is tight but you sense Elton's original novel had more space to flesh out his ideas.

The slow start is short on action as the producer mouths the centre-right position on violence, but if he has such scruples, why make the movie in the first place?

For fully imagined characterisation driving intellectual debate *Popcorn* isn't in the same league as David Hare's masterly *Racing Demon*, but it is even more urgent and Elton's moral passion charges over the implausible plotting. His coup is using the horror-thriller form which he so smartly satirises. It will be a great movie. As it is, *Popcorn* is, literally, a bloody good night out.

Apollo Theatre, London W1. Tel: 0171 494 5070

Allen Ginsberg: the Beat goes on

The influence of the poet laureate of libertarianism, who died this weekend, will endure

Allen Ginsberg, who died of liver cancer in his Manhattan East Village apartment on Saturday, aged 70, had become the grand old man of American poetry. Not that he ever diluted his dithyrambic approach to art and life or lost the spurs won in the Beat days of the '50s, but in his last 10 years he was canonised by the High Priestess of East Coast poetry criticism, Helen Vendler, who said in her *Faber Book of Contemporary American Poetry*: "In the long elegy for his mother, 'Kaddish', Ginsberg made a founding gesture comparable to that made in the black vernacular by Langston Hughes."

That was the Jewish Ginsberg, who came to the fore in later years, but first he was an expert in American paranoia. His first great celebrated poem "Howl" (1955), brings the eye of a George Grosz to contemporary American excesses:

"Moloch! Moloch! Robot apartments! invisible suburbs! skeleton treasures! blind capitals! demonic industries! spectral nations! invisible madhouses! granite cocks! monstrous bombs!..."

"Howl" was dedicated to Carl Solomon, a patient he met during a stay in a psychiatric ward. Forty years later, Ginsberg was reciting his poetry on cable TV.

Against what he perceived to be the terrors of the American empire, Ginsberg celebrated spontaneous sexual joy (homosexual), jazz, hallucinogens, India, the freedom of the road. In return, the upright State put him under surveillance, J Edgar Hoover suggesting that he had "a propensity for violence and antipathy toward good order and good government."

The technique with which he created such a dramatic effect was derived from Walt Whitman. Only these two poets have succeeded in the infinitely chancy business of creating those great rolling peans of ecstatic praise and demonic blame:

"What peaches and what penumbras! Whole families shopping at night! Aisles full of husbands! Wives in the avocados, babies in the tomatoes!" ("A Supermarket in California").

In a strange way he also memorialised the junk of America. In "Sunflower Sutra" he sits with Jack Kerouac by the banks of the "tincan banana dock" and sees a single sunflower

poised against the detritus. But most of the matter of the poem is druck. "Black treadless tires, forgotten and unretreated, the poem of the riverbank, condoms & pots..."

In the concluding lines he foresees the hippy paradise: "We're not our skin of grime, we're not our dread black dusty locomotive, we're all beautiful golden sunflowers inside" - lines Joni Mitchell echoed 11 years later in "Woodstock": "We're stardust, we're golden, and we've got to get ourselves back to the garden".

It was inevitable that Ginsberg would be courted and feted in the '60s. His polymorphous perversity was just what the decade demanded. His address book was the underground and most of its luminaries sat at his feet. Or not quite. When he met the Beatles at a party in London in 1965 he was naked with a "Please do not disturb" sign hanging from his penis. That was not the Beatles' way, quite: they stormed out, Lennon hissing: "You don't do that in front of the birds".

It was also not surprising that he would be drawn to India, but his was not just the standard

hippy quest for enlightenment. His *Indian Journals* (1970) reflect a fascination with the teeming disorder of the place. India too was a Moloch.

There is no Whitmanesque tradition in Britain, where he was always regarded as an exotic. His most famous appearance in this country was at the Albert Hall in the Poetry International of 1965.

Last year saw a repeat performance in Michael Horowitz's Poetry Olympics at the same venue. Ginsberg's last book of poems, *Cosmopolitan Greetings* (1994) was greeted by Horowitz as "honest to goodness socio-spiritual teaching, hard-hitting humanistic prophecy and inspired verbal invention of a unique and invaluable order... Is there any poet in the West pushing 60, never mind 70, as Ginsberg is, who's gone on with the same comparable energy and commitment?"

In fact, his energy was much diminished in later years by illness but the spirit remained intact. Only last week he completed a series of short poems, including one called "Fame and Death".

Peter Forbes



Allen Ginsberg: the influential Beat poet whose visionary work, specialising in ecstatic praise and demonic blame, inspired a generation Robert Frank

INTERNATIONAL ARTS GUIDE

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-561817
● The Dutch National Ballet perform "Diamonds" choreographed by George Balanchine, "Ruins of Time" choreographed by Wayne Eagling and "Les Présages" choreographed by Léonide Massine, all to music by Tchaikovsky; to Apr 9

BERLIN

CONCERT
Konzerthaus Berlin
Tel: 49-30-203090
● Berliner Sinfonie-Orchester, with conductor Michael Schneider and baritone Ekke-Wilhelm Schulte perform works by Brahms; Apr 10, 11, 12
● Philharmonie Berlin - Grosser Saal & Kammermusiksaal
Tel: 49-30-2614383
● Chamber Orchestra of Europe, with conductor Emmanuel Krivine and pianist Maria Joao Pires

perform works by Stravinsky, Chopin and Strauss; Apr 8

EDINBURGH

EXHIBITION
Scottish National Portrait Gallery
Tel: 44-131-5588921
● John Kobal Photographic Award: selection of entries for this year's photographic portrait award. Over 2,750 entries were submitted by 1,200 photographers across Europe, North America, Australia and Japan; from Apr 10 to Jun 1

FRANKFURT

EXHIBITION
Museum für Moderne Kunst
Tel: 49-69-21230447
● Views from Abroad: European Perspectives on American Art II: the second part of the gallery's exchange of exhibitions with the Whitney in New York. Artists featured include Andre, Baladesseri, Cage, de Kooning, Hopper, Johns, Lichtenstein, Neuman and Pollock; to May 4

LONDON

CONCERT
Royal Festival Hall
Tel: 44-171-9604242
● Nigel Kennedy: the violinist with guitarist John Etheridge and double-bassist Rory McFarlane performs works by Bach, Bartok and Hendrix; Apr 10
● St Martin-in-the-Fields Church
Tel: 44-171-9300089
● London Soloists Chamber Orchestra, with David Josefowitz and the English Chamber Choir

perform works by Mozart and Beethoven; Apr 10

EXHIBITION

Christie's Tel: 44-171-8399080
● Houghton at Kenwood: exhibition of Old Masters from the collection of Sir Robert Walpole, Britain's first prime minister. The paintings were transferred to Houghton Hall, Norfolk, on Walpole's fall from power, where they remained for a further two generations until almost 200 pieces were sold to Catherine the Great of Russia in 1779. Two centuries later some of these paintings have been returned, on loan for this exhibition; to Apr 20
● Royal Academy of Arts
Tel: 44-171-4397438
● The Berlin of George Grosz: this is the first exhibition in Britain to feature the graphic work of the German satirist since 1956. His work describes life in Germany from the end of the first world war through to the rise of Fascism; to Jun 8

MADRID

EXHIBITION
Fundación Juan March
Tel: 34-1-4354240
● Max Beckmann Retrospective: exhibition featuring 35 works completed by the German artist between 1905-1950. Beckmann was at the forefront of the German avant-garde with work that forsook Impressionism for New Realism; to Jun 8

NEW YORK

CONCERT

Alice Tully Hall
Tel: 1-212-875-5050
● New York Chamber Symphony, with conductor Hesse Levine, oboist Diana Doherty, cellist Jan-Erik Gustafsson and pianist Fazil Say perform works by Strauss, Tchaikovsky, Saint-Saëns and Mozart; Apr 10

EXHIBITION

Brooklyn Museum
Tel: 1-718-638-5000
● American Paintings: Ashcan and Modernist: display of works taken from the museum's own collection of paintings from the first half of the 20th century. Featured artists include Florine Stettheimer, Marsden Hartley and Georgia O'Keeffe; to Jun 29
● Museum of the City of New York
Tel: 1-212-534-1672
● The Streets and Beyond: New York Photographs, 1900-1960: exhibition featuring 70 recently acquired works chronicling street life in New York. Photographers include Berenice Abbott, Robert Bracklow, Harold Feinstein, Rudolph Simmon and Hans Vogt; to Jun 8

OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Madama Butterfly, by Puccini. Conducted by John Fiore, performed by the Metropolitan Opera. Soloists include Michele Crider, Franco Farina and Alan Ople; Apr 8, 11

OSLO

CONCERT

Oso Konserthus
Tel: 47-22-833200
● Oslo Filharmoniske Orkester, with conductor Hiroshi Wakasugi and soprano Eshild Skiri Retsdal perform works by Debussy and Messiaen; Apr 11

OXFORD

EXHIBITION
Ashmolean Museum of Art & Archeology
Tel: 44-1865-278000
● Pastels: selection of works from the museum's permanent collection, including pieces by Degas, Pissarro and Pasternak from Apr 8 to May 11

PARIS

EXHIBITION
Fondation Cartier pour l'Art Contemporain
Tel: 33-1 42 18 56 50
● Coincidences: display of works by contemporary French artists including Pierre Bismuth, Michel Biazzy, François Curlet, Didier Marcel and Eric Duyckxarts; to May 18

OPERA
L'Opéra de Paris Bastille
Tel: 33-1 44 73 13 99
● Parsifal, by Wagner. Conducted by Horst Stein, performed by the Orchestre et Choeurs de l'Opéra National de Paris. Soloists include Wolfgang Schöne, Gwynne Howell and Jan-Hendrik Rootering; Apr 9

STOCKHOLM

EXHIBITION

Nationalmuseum
Tel: 46-8-6664250
● Masterpieces from Utrecht: display featuring 30 paintings on loan from the Central Museum, Utrecht. The works date from the 16th and 17th centuries and include "Madonna With The Wild Roses" by Jan van Scorel; to May 11

THESSALONIKI

EXHIBITION
Thessaloniki Cultural Capital '97
Tel: 30-51-867860-6
● Sir Anthony Caro: "The Trojan War": exhibition of work by the British sculptor who produces abstract metal structures utilising welded objects and painted metal sheets. The display consists of a set of sculptures making up an installation entitled "The Trojan War". The exhibition takes place at the Institute Français; to Apr 24

VIENNA

OPERA
Volkoper Wien
Tel: 43-1-514442960
● Der Zigeunerbaron, by Strauss. Conducted by Bauer-Theussel and performed by the Volksoper Wien. Soloists include Karwautz, Prager and Mavropoulou; Apr 9

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Financial Times Business Tonight

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COMMENT & ANALYSIS

Management • Victoria Griffith

Who cares for the carers

Some employers in the US are helping their staff to care for elderly parents

When Mr David Bryson's 80-year-old mother was rushed to hospital last November he faced a crisis that threatened to spill over to his work. As the lawyer in charge of the Bank of Boston's merger with BayBank, he could not afford to take time off. Yet he had to make sure his mother received the care she needed after she left hospital.

Mr Bryson turned to the resource centre set up by his employer, BankBoston, as the post-merger entity is called. "I always thought my parents were my personal responsibility, and that I wouldn't need assistance, least of all from my company," says the lawyer. "But I just couldn't manage on my own and keep up with the pressure at work." The resource centre directed Mr Bryson's mother to a rehabilitation centre, where she spends most days, and found a nurse for nights.

Corporate America is waking up to the mounting pressures that workers face in caring for elderly relatives. According to the National Council on Aging, about 10 per cent of the workforce has responsibility for at least one aspect of caring for the elderly, ranging from help with shopping to intensive nursing. A carer's job performance may suffer as demands increase.

The problem will only worsen, say experts. Parents of the "baby boom" generation - Americans born in the 1950s - are ageing, and many will soon need substantial support. Women, traditionally the primary providers of care for the elderly, have joined the workforce and are unable to assume total responsibility. While the crisis is probably most acute in the US, where government assistance is less comprehensive, care for the elderly is starting to become a concern in Europe.

Work/Family Directions, a



US consultancy that advises companies on "eldercare" issues, recently opened a London office in the belief that European companies will soon be seeking guidance in this area.

Care responsibilities affect productivity in many ways. Workers may need time off to deal with their responsibilities, and when illnesses become serious they may become highly distracted. One big effect on productivity, say employers, occurs when workers spend hours on the telephone, gathering information on care and sorting out bills. Workers are not intentionally ignoring their jobs, say companies, it is just that the people they need to contact do business during working hours.

"When an elderly relative gets sick, a previously productive employee may become ineffective," says Skip Schlenk, head of work/family issues for AT&T, the telecommunications group. "We see rising rates of absenteeism and tardiness."

To maintain productivity, a growing number of US

companies are starting to offer a helping hand. One solution is access to a resource centre like the one used by Mr Bryson. These centres provide detailed information about local care providers, explain which costs might be covered by insurance, and direct workers to free community services - helping employees cut through red tape.

"A lot of towns offer things like a bus service, educational classes and in-home help to the elderly," says Ms Diane Piktialis, vice-president of Work/Family Directions. "But finding out what's there can take a lot of time. A company can save workers all that research effort."

Companies providing access to a resource centre include the telecommunications groups Nynex and AT&T, computer companies International Business Machines and Hewlett-Packard, BankBoston, and the accounting firms Deloitte & Touche and Price Waterhouse.

Some companies have taken further steps to reduce

the burden of care. IBM and AT&T donate money to fund community transport. "We find that one of the biggest demands on workers with older relatives is chauffeuring them around," says Mr Ted Childs, head of family programmes at IBM.

Favourable insurance plans are one of the latest corporate initiatives. John Hancock, the life insurance company, offers workers health coverage for ageing relatives and long-term care insurance - which would cover the cost of a nursing home should it become necessary. Typically, employees bear the cost of the insurance, but because it is provided through the company they obtain far better rates.

The flexible working hours that companies started to offer when children became a big workplace concern are valuable in dealing with eldercare issues. But experts say corporations should remember that dealing with ageing relatives can be far more complicated than managing young children.

StrideRite, a children's footwear manufacturer, closed its care facility two years ago because of limited demand from workers. Most relatives, it turned out, lived some distance from employees and were not interested in being taken to daycare.

"The dynamics of dealing with eldercare are very complicated," says Ms Piktialis. "They are adults, and will naturally want to make their own decisions, as opposed to children, who have to go along with the parents."

Even the most comprehensive package will not resolve all the issues. "I've talked to some of our employees who care for ailing parents, and they are often in incredible emotional pain," says Ms Katharine Hazzard, manager of work/family programmes at John Hancock.

What is needed may be a heavy dose of patience. While care issues can place workers under enormous pressures, the work conflict is usually temporary. From the employer's point of view, it is probably well worth-while to help workers weather the storm.

LETTERS TO THE EDITOR

No prospect of commission relaxing in its pursuit of open-skies policy in Europe

From Mr Neil Kinnock

Sir, Your constructive editorial ("Open skies in Europe", April 2) recognised the gains that have been made and the advances that still need to be made to achieve the full potential of civil aviation liberalisation in the European Union.

I share your assessment and, with my colleagues, I heed your advice that "the commission must not rest on its laurels". Indeed, there is no prospect of such relaxation when we are currently engaged in several further aviation initiatives in efforts to reduce costs, improve the use of capacity, increase efficiency and strengthen fair competition while maintaining or - better - improving the good standards of safety in the EU industry.

For instance, the liberalisation of ground-handling law is in place, our proposals for a

revised airport slots regulation will shortly be published, and the forthcoming draft directive on airport charges will, among other things, propose an end to discriminatory fees.

Meanwhile, the final few applications from public-sector investors for commission agreement to restructuring are under rigorous consideration. The era of state-aided civil aviation is now coming to its end - more slowly than many would like, but surely.

In these and other efforts - not least the essential reform and modernisation of air traffic management which we continue to pursue - the active assent of member state governments is clearly vital. Indeed, it is an absolute pre-condition of any legal change and critically important for effective implementation.

While the commission will certainly not rest on any of its liberalising laurels, therefore, I hope that the Financial Times and others will continue to deploy the rational arguments in favour of all governments' willing participation in the further evolution and application of the strategy.

Neil Kinnock, Commission member for transport, European Commission, Rue de la Loi 200, B-1049 Brussels, Belgium

From Mr Simon Bishop

Sir, In your editorial "Open skies in Europe", you rightly identified access to landing and take-off slots and state subsidies as the two potential obstacles to the development of effective competition in the EU aviation industry.

However, your stance with regard to airport slots which there are physical constraints on slots is surprising.

The suggestion that the reallocation of slots with substantial security value is, relatively speaking, not a matter for concern ignores the fact that market clearing prices are unlikely to result in slots being used in the most efficient manner from the consumer's perspective. Airlines which wish a proportion of slots at an airport will in general be willing to pay fairly high prices to obtain them. A slot purely to prevent a new entrant from operating is not an efficient use of the slot. New entrants underwriting the lucrative monopoly revenues of existing airlines is not a desirable outcome.

Simon Bishop, Case Associates, 1 Northumberland Avenue, London WC2N 3BW, UK

Unfair come-uppance for Daewoo

From Mr John Hancock

Sir, It is criminal how the motor trade has kept the stranglehold it has over the British car-buying public. A "knight in shining armour" emerges and Daewoo successfully sets the industry in a spin by offering customers what they want rather than "any colour as long as it's black". In a last-ditch attempt to stick the knife in

(or should I say sword?) the motor trade is finally giving Daewoo its come-uppance, as John Griffiths reported in his article "Daewoo under fire from motor trade", (March 29/30).

If Daewoo's marketing professionals are as good as they have proved to be in the past they will retaliate with a quote from Auto-trader/Buy & Sell or similar, saying what good

value a used Daewoo is. Surely what governs the price of a used car is what someone is willing to pay for it, and used car guides reflect this value - or have I taken a free-trade economy a little too far?

Jane Harrod-Roberts, consultant director, Marketing Projects, Gower Park, Chester CH1 4DA, UK

Sad shortage of trees in City of London

From Mr Brian S. Walling

Sir, I find it striking on returning permanently to London after more than 20 years in other parts of the world that there are so few trees in the City of London. As I go through my first spring in London for many years I look for the bursts of

green leaves that will soften the otherwise dull views and soothe us in summer.

Many other leading world cities seem to have taken a more positive approach to city greenery. Can something be done in the City? One brave tree beside the Bank of England, at the

junction of Princes Street and Lothbury makes a tremendous impact among the otherwise dull slabs of buildings.

Brian S. Walling, 50 Queen of Denmark Court, Finland Street, London SE16 1TB, UK

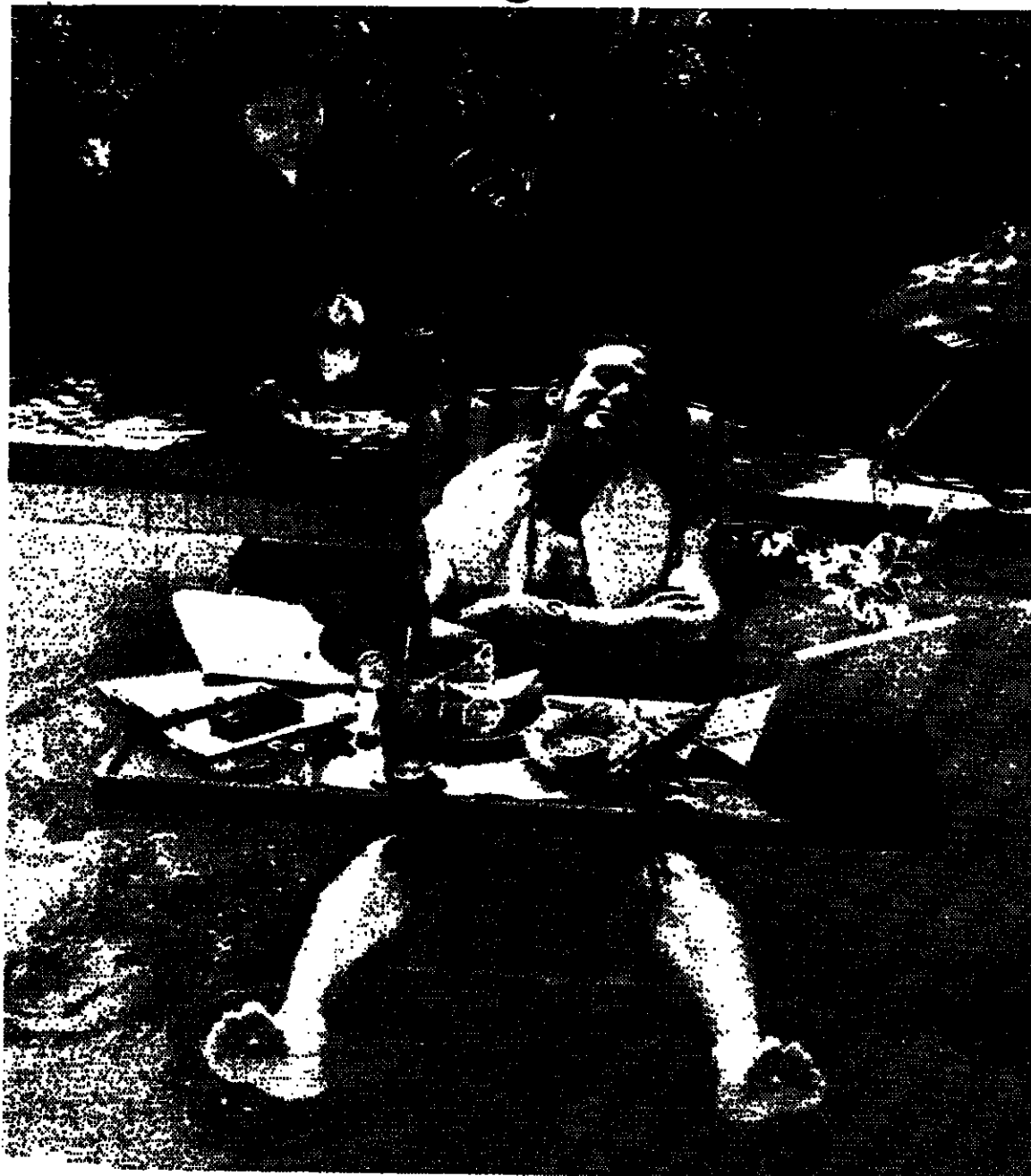
CORRECTION

Alastair Ross Goobey

The publication of Alastair Ross Goobey's letter on corporation tax credits and pension funds ("Tax change by Labour would put pension funding under pressure", April 4) contained two transcription errors. In the penultimate paragraph, the words "yield rate" should have been "yield ratio".

And the final paragraph should have read: "It would be ironic if a thoughtless act of a new government would be to undermine the first attempt to back the pension promise with assets, and move the balance still further against the funded pension schemes with which British has secured its workers' futures so much better than most of its trading partners."

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Samuel Brittan

Work as its own reward

Money is not the only motivating force in a free society, argues a Swiss economist



The value of markets and prices in harnessing information dispersed among millions of people is, or should be, well known. So should their value in providing incentives to supply, at a minimum cost, the services required by fellow human beings.

But it is equally known that many activities are not just undertaken "for the money" and that the intrusion of explicit markets into some human activities is destructive. If you were served a delicious meal at a friend's home and immediately handed over an appropriate payment you would probably be shown the door and have destroyed the friendship. Judas Iscariot is forever remembered for having betrayed his master for a handful of silver.

But how should we relate these two types of insight? Some people emphasise one or the other, and most settle for a vague compromise. Now, at last, we have an economist, writing comprehensively, who tries to bring the two together. Mr Bruno Frey is a professor in Zurich who has long been preoccupied with the applications of his subject to wider areas of human behaviour.

In his forthcoming book, he does not produce an inspiring, overarching theory of human behaviour. But he does suggest how the working economist or intelligent citizen can take into account what he calls "intrinsic motivation". Still more important, he shows how this can be done without surrendering to the communitarians who would subordinate the individual to the group to which he or she belongs.

Mr Frey's insight is that, under certain conditions, the use of either cash reward or compulsion can weaken or destroy motivation. It can thus be inefficient as well as objectionable.

He starts from the fundamental law of market economies that a change in relative prices will affect both supply and demand. But to this normal effect must be added or subtracted any offsetting effect on intrinsic motivation. A child who is offered a gift by his parents for every household chore undertaken will soon stop helping without such a bribe.

One reason for this offset is that a person deprived of the chance of acting on his own motivation will exhibit what Mr Frey calls "altruistic anger", and will not do anything without reward or penalty.

Another name for the adverse effect is the "demoralisation cost". A worker who suffers a pay deduction for leaving the lights on or leaving litter around will soon only respond to sticks and carrots.

Mr Frey's main contribution is to list the conditions under which the "crowding out" of the intrinsic motive by the commercial one will be important.

Where relationships are entirely impersonal, such as in financial markets or supermarket purchases, intrinsic satisfactions can be more or less ignored. But they are important where personal relationships are involved - as in workplaces.

They matter more where the unit is small than in vast

organisations where there is little personal interaction. Mr Frey clearly has in mind the contrasts between the US federal government and a small Swiss canton.

Intrinsic motivation becomes more relevant the more interesting the task involved. It will also be more significant if there is some element of worker control in an organisation.

Mr Frey emphasises that his book is not a plea for old-style government intervention. Indeed, the "crowding out" effects are often stronger with such intervention than with financial reward or penalties. Instead, he argues that human beings should be trusted more.

"Dedist from trying to steer humans everywhere and always," he writes.

An example is tax. If the citizen is not trusted (for instance through self-assessment) and is assumed to be a potential criminal then a surly non-cooperative attitude will spread from tax to other duties.

The author supplies evidence that, where tax systems rely on trust, the degree of compliance is far higher than might be expected from a more statistical analysis of the probability of being caught and fined for evasion. He might also have added that punitively high marginal tax rates destroy motivation, which does not easily return when

the rates are subsequently eased.

Another example of the ill-effects of compulsion is provided by military conscription. The commander of the US army unit in the Gulf war of 1990 said: "I have fewer disciplinary problems commanding a third of a million troops now than I did in 1973 commanding 1,000 men in the Vietnam war."

There can be external intervention which reinforces intrinsic motivation, if it fosters rather than destroys self-esteem. (The latter is a category easily missing from conventional economics.) An example of supportive intervention would be to send a well-chosen bunch of flowers to one's friend in the meal example given above. In public life, it would be conferment of prizes or honours for a person's general professional work rather than payment for specific activities.

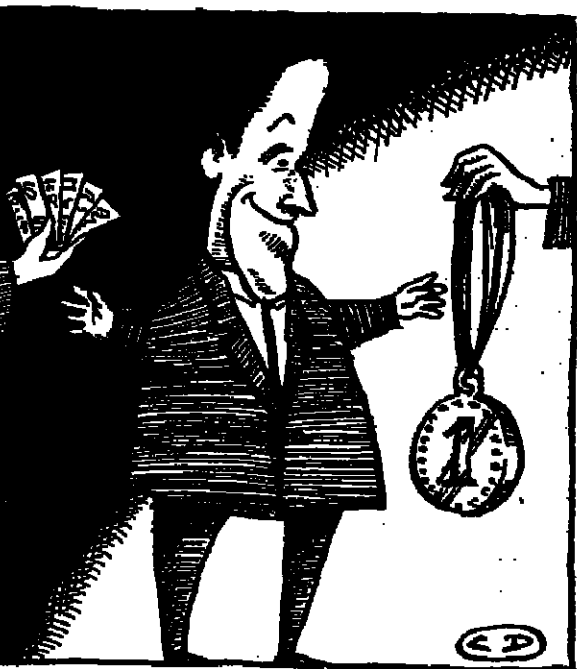
The author does not romanticise intrinsic motivation. "Robespierre and Hitler provided vivid examples that such motivated persons may create great evil."

But perhaps Mr Frey misses out on the lesser evils of working or living in a suffocatingly moralistic atmosphere, with colleagues always checking that one is doing one's duty. A trade-off in which those who do not carry out these little chores earn less or have fewer promotion prospects is easier to live with, although more difficult to arrange.

Even within the family, there are plenty of tensions associated with "I did the washing-up but you didn't mow the lawn". If side payments were offered for extra tasks carried out, the edge may be taken off potential frictions.

At the very least, however, Mr Frey's crowding out theory offers some comfort to those who have misgivings about macho managerialism. From now on, they should be able to retain such misgivings without having to overthrow beliefs in markets or the profit motive.

*Not Just For The Money: An Economic Theory of Human Motivation, to be published by Edward Elgar on May 15, 1997.



FINANCIAL TIMES

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Monday April 7 1997

A serious French farce

France's decision to bar General Electric Company of the UK from making a stand-alone bid for the defence electronics group Thomson-CSF shows just how sensitive government nerves have become. It also shows how far the debate has drifted from economic realities.

Europe's defence industry is badly splintered between small national markets, with far too much duplication of a limited research and development effort. Since the US has completed a consolidation which Europe has yet to begin, the European industry is already supplying less effective weapons at higher prices than its US counterpart. If it is to survive even in the medium term, that will have to change, and soon.

Yet France seems to think it can complete an extensive internal restructuring of its defence industry before it even begins to talk to its European partners. In reality, time is too short; some European companies are already negotiating without France, while others are talking to their US competitors.

The only realistic options for the European industry are already clear. Defence electronics and military aircraft are the two main areas for rationalisation. In military aircraft, there is a strong overlap between

British Aerospace and Daimler-Benz Aerospace, particularly on the Eurofighter. The two could act as a focal point for French and Italian aircraft-makers.

In electronics, the overlap between the two most significant companies, GEC-Marconi and Thomson-CSF, is so great that it defies belief that anyone is considering anything other than a merger. A deal could easily be arranged to pool the two in a joint venture, akin to the power engineering group GEC-Alsthom. If the French government's 58 per cent stake in Thomson-CSF and the quoted Thomson minority were both bought up, GEC could own half the equity in the merged business in equal partnership with either Alcatel or Lagardere. The venture could then exploit the synergies across the full range of its operations to create a globally competitive group. If France really wants an expanded European defence identity, it should embrace such mergers.

Yet this seems a deal France will not consider, on the spurious grounds that it would amount to a takeover by GEC, threatening national security. Unless this misguided view changes before the deadline for bids on May 7, Europe's defence industry will remain fatally divided, and the US will rule.

IMF gamble

Mr Michel Camdessus, managing director of the International Monetary Fund, is right to take another gamble on Russia. It is better to support reforms that may fail than to refuse to give the support that might make them succeed.

The case for resuming disbursement of the IMF's three-year, \$10.2bn programme is not overwhelming. True, there have been some impressive achievements, notably the reduction of inflation to between 1 per cent and 1½ per cent a month, decoupling of most prices, trade liberalisation, and rapid growth of the private sector.

Yet, as Mr Camdessus noted last week, Russia's state is in deep crisis. A worrying symptom has been its failure to collect taxes. This has meant that it is unable to pay due wages and pensions and provide

basic government services. The extent of tax evasion is part of a deeper malaise. As president Boris Yeltsin stated last month: "The state interferes in the economy where it shouldn't, while where it should, it does nothing." Such arbitrary and irrational behaviour is both the consequence and the cause of the pervasive corruption and criminalisation.

Yet the IMF's role is not to help perfect governments but to encourage sinners trying to do better. In Russia's case the new government seems strongly committed to stabilisation and reform. But only with strong foreign financial and moral support is it likely to be strong enough to do what needs to be done. The government could fall even with the IMF's help. But this gamble does at least increase its chances of success.

Welfare reform

Taxation and spending dominated the UK party manifestos last week. Given that the welfare state accounts for two thirds of all government expenditure, that means its future is at the heart of the election.

There are two issues, one short-term, the other long. For the short, both the Conservatives and Labour are tied into spending plans - notably for health and education - that simply do not look credible if standards are to be maintained, let alone improved.

For the NHS in particular the next three years may be critical. Two parties which claim undying commitment to its preservation are, on present plans, unwilling to provide the means. Here, the Liberal Democrats have been honest. With the current deficit, it is not possible to have both tax cuts and better public services.

In the longer term too, something will have to give if - and it is a big if - governments are to hold public spending at about 40 per cent of gross domestic product. The Conservative aim is to get below that figure. Labour has not been specific. But all its actions indicate it does not believe there is voter appetite for significantly higher spending. To be sure, there would be big differences between, say, 43 per cent of GDP and 38 per cent. Even so, demographics, and the higher standards which greater affluence demands, dictate that in the long run a refusal to spend more public money must mean more private spending.

One change that would ease those pressures would be higher levels of employment. Here, Labour's commitment to a multi-billion pound welfare-to-work programme would be a critical experiment. The economics of the Labour programme are open to argument. But after two decades of dramatically widening inequality there is also a moral and social case for improving access to work for both lone parents and the jobless - in the process preventing the growth of an underclass which will itself bring

higher costs in benefits, crime and prisons. It is a route the Conservatives are also pursuing, though much less vigorously. Labour, if it wins, will assess the programme's impact in full, and if it works extend it.

In the longer term, private provision has to start with pensions and long-term care - the most predictable of the contingencies. Here the Conservatives have been boldest. But their undeniably radical plan to privatise pensions for the next generation brings forward costs in National Insurance rebates that will have to be paid out precisely over the period - up to 2040 - when public spending pressures from an ageing population will be greatest. The big benefits arrive only after the demographic peak is reached. Meanwhile, their long-term care plans amount largely to a tax subsidy for inheritance for a smallish group of the better-off.

Labour's approach boils down to Mr Tony Blair's "trust me" - a royal commission on long-term care and a pension review, limited by commitments to both tiers of the existing system. Under either party, a search for greater private provision, quite probably involving a higher level of compulsion, looks likely - and necessary.

After pensions comes higher education, because of its direct economic benefit to individuals. Loans for all maintenance, and quite possibly for top-up fees, repayable on an income-related basis, are inevitable: an issue about which Labour and the Liberal Democrats have been more open in their manifestos.

After that come issues such as housing and disability benefits, for example, two of the fastest-growing areas, with the former set to rise still further as more council housing transfers to the private sector. And there is the NHS itself. Along with compulsory education, it is least susceptible to privatisation yet faces demands for higher standards. The truth is that on present trends, voters will be asked both to pay more and privatise more. And no party has been honest about that.

Protection for the piggy-bank

Although the aim of the new pensions act is to safeguard scheme members, it has attracted widespread criticism, says William Lewis

With the start of the new financial year, the UK pensions industry has begun its biggest shake-up in more than 20 years in an attempt to improve the protection of members of occupational pension schemes.

The 1995 Pensions Act comes into force, setting out new rules for pension scheme trustees and advisers and creating a powerful industry watchdog. It also establishes minimum funding standards that could force schemes to change their investment policies and companies to increase their contributions.

Some in the industry believe the new act will have little impact, since most schemes have already adopted many of its requirements as best practice. But others warn the consequences could be far-reaching - and not just in the UK.

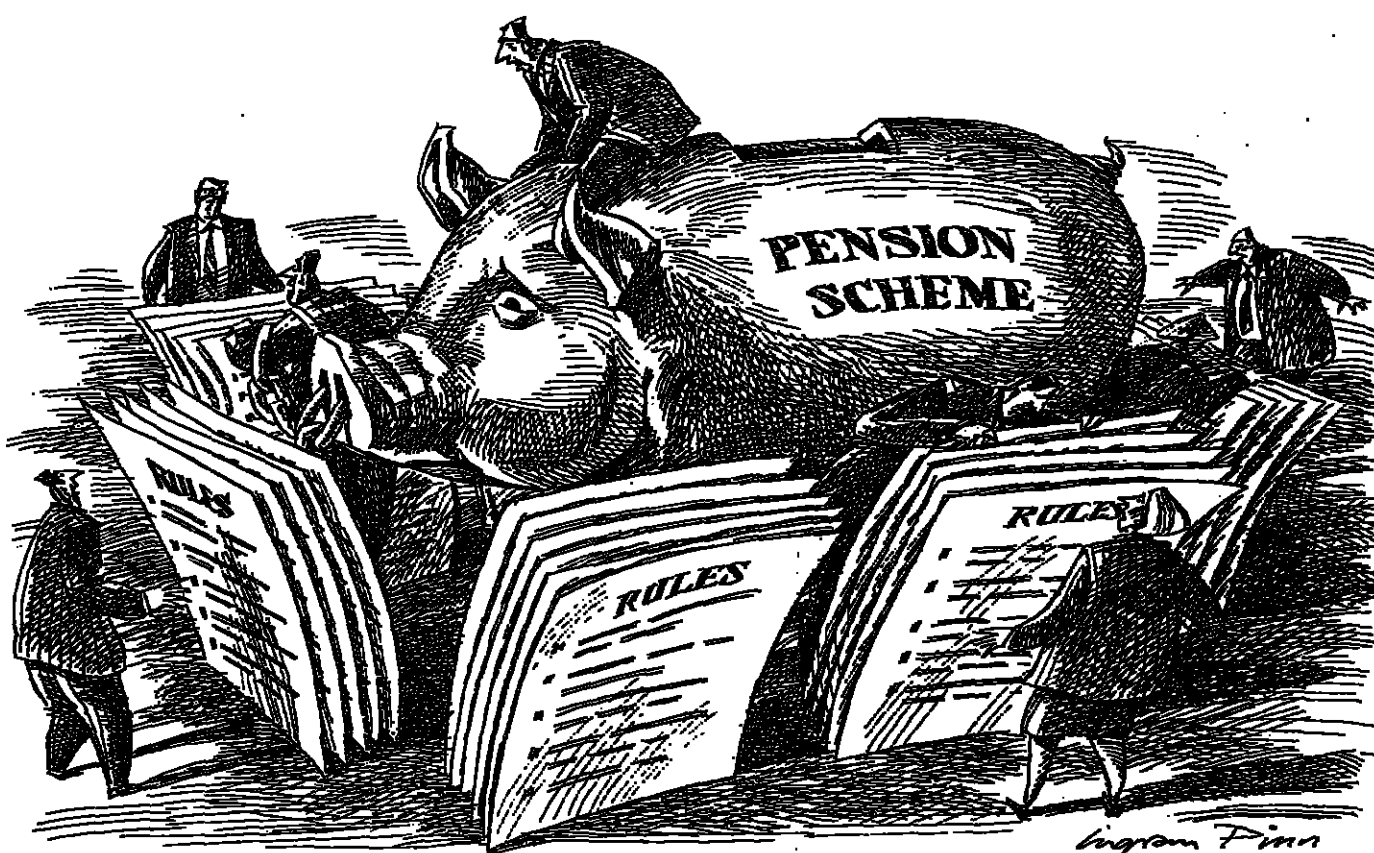
The legislation has "unintentionally introduced a major destabilising force into the domestic market and to overseas equity markets where the UK investor dominates", says Mr Albert Edwards of Dresdner Kleinwort Benson, the German-owned investment bank.

The shake-up is a consequence of the events that followed the death in November 1991 of Robert Maxwell, the former owner of the Mirror publishing empire. Thousands of pensioners were left facing possible hardship after the discovery that more than \$400m was missing from pension schemes controlled by Maxwell.

The act establishes a compensation scheme to pay benefits when fraud has occurred, and grants scheme members new rights to help them oversee how savings are invested. Over the next 10 years, pension funds operating final salary schemes will have to reach a minimum funding requirement to ensure the value of their assets is not less than their accrued liabilities. And trustees of all occupational schemes will have to provide a statement of investment principles which will set out their investment policies for members.

Civil servants say that implementation of the act follows one of the most extensive industry consultation processes ever undertaken. "The pensions industry has been consulted to death," says one government official. "They are the people that have to make it work and that is why we have given them such a big chance to change things."

Yet in spite of these efforts there has been widespread criticism of the act by the pension industry. The critics vary between those who see it as an administrative burden offering little improved protection for



scheme members, and those who warn the new rules could lead to instability in financial markets and regulatory chaos.

Among the former is Mr Ken Thomas, a trustee of the British Telecommunications pension scheme, which is one of the largest in the UK. He regards the act as "a bit of a nuisance".

He says the board of BT trustees is "having to rework a few things we do... [but] while the regulations are enormously long and difficult, there is not much more to it than that".

Those who are more pessimistic, such as Mr Edwards of Dresdner Kleinwort Benson, argue that the minimum funding requirement "will exacerbate economic volatility". He says that instead of buying shares when prices are falling - when they are relatively inexpensive - schemes may force their investment managers to sell shares and realise cash, and so reduce further risk.

Mr David Gamble, chief executive of British Airways Pension Investment Management and a senior figure in the pensions industry, is also concerned about the requirement. He points out that some companies will be forced to put extra cash into schemes during recession to maintain the value of the funds. Doing this could damage corporate finances to the detriment of

pension fund members in the workforce. "It is entirely possible that tears could be shed quite soon," he says.

The introduction of a minimum funding requirement as an annual check on the solvency of pension schemes could also help push many funds towards bonds. Schemes with a high proportion of shares run a higher risk of falling below the minimum requirement because of the greater volatility of shares. Increasing the proportion held as bonds could avoid the danger of a company having to pay extra contributions.

The minimum funding requirement will increase the rate at which companies switch from final salary schemes to defined contribution schemes, which do not have to comply with the rule, say others. The requirement "could help hasten the end of final salary schemes," says the chairman of a leading investment management company.

Some consulting actuaries and fund managers say such warnings will prove over the top. "People warning of financial market instability and chaos are not from centre-field," says Mr William Nott, head of institutional business at M&G, one of the UK's

largest investment groups. But fund managers and actuaries believe the act could have an impact on investment trends over the longer term. In particular, the requirement for trustees to draw up a statement of investment principles will encourage more trustees to set specific investment targets for the managers of larger pension schemes.

At the moment most trustees require fund management companies to invest in a balanced range of assets. But Mr Nigel O'Sullivan of actuarial firm Bacon & Woodrow says that, because each statement must detail the balance between different kinds of investments, "many trustees are asking why they are not parceling out more to specialist managers of asset classes".

He says discussions over statements have also "made trustees more aware that scheme funds should be invested to meet liabilities". With most occupational schemes experiencing increases in the proportion of members drawing pensions, actuaries predict a long-term trend towards greater investment in fixed-interest and index-linked assets, which are safer investments.

The immediate impact of the act will be in meeting the requirements of the new pension fund regulator, the Occupational Pensions Regulatory Authority.

To back up its demands for information and general compliance with the act, Opra has warned the industry about the stiff penalties it can levy.

In one speech Mr John Hayes, Opra chairman, told employers they risked criminal prosecution if they failed to pay employee pension contributions into pension schemes by a set deadline each month. Opra has since sought to ease fears by stating it sees "its prime role in the early days as helping to achieve compliance, not applying sanctions as a matter of course" on schemes which fail to meet the requirements of the act.

Trade unions and activists have criticised Opra's inability to stop most pension schemes opting out of rules requiring them to appoint trustees nominated by members. Under the act, if schemes get the support of members they are able to avoid changing the structure of their board of trustees. But activists believe this could undermine an important part of members' protection.

For government officials, the real test of the act will be how well Opra deals with the first pensions scandal. "With anything fairly big, Opra's ability to handle it will be crucial," one official said. "If it proves toothless, then we will go back and look at the legislation."

Opra's Starsky and Hutch

One of the first consequences of the new regulatory system is an expected "avalanche of telephone calls" to Mr Roger Hills and Mr Joe Robertson, dubbed Starsky and Hutch by some in the pensions industry after the detectives in the US television show.

They are the regulatory directors of Opra, the pensions industry watchdog, and the people auditors and actuaries must contact if they suspect the pension schemes they advise are not complying with the

rules of the Pensions Act. Like Starsky and Hutch, who routinely relied on inside information supplied by Bugsy Bear, they will rely on whistle-blowers in the pensions industry to help them fight wrongdoing.

Under the rules of the Pensions Act, Opra will not routinely receive information such as annual reports from pension schemes. It will therefore be reliant on scheme advisers to keep

its regulators informed - and plans to record details of every telephone call in a database designed to help spot potential fraud at pension schemes.

Mr Hills and Mr Robertson admit they have little idea what number or sort of cases they are likely to be probing. "Our biggest challenge is not knowing the volume of work or nature of it," says Mr Robertson.

Surveys show that, in a large

minority of cases, schemes are unlikely to have all the processes and procedures required by the act in place by today. Advisers anxious to ensure they are complying with the act are therefore expected to deluge Opra with calls.

"Our job is to separate the wood from the trees, but first of all we must find out where the wood is," says Mr Hills, a former detective chief superintendent.

Mr Hunter Devine, chairman of the Association of Consulting Actuaries, has warned of chaos as "thousands of irregularities are reported".

Mr John Hayes, Opra's chairman, acknowledges that its requirement that advisers blow the whistle if they spot any wrongdoing "has flushed out a considerable degree of anxiety". But he believes that this will soon dissipate.

"Once the thing is up and running and people have got used to it, things should settle down nicely."

OBSERVER

Otherwise engaged

Italy is crazy about mobile phones. But a Turin magistrate has declared that enough is enough: to prove his point he's taking to court the former chairman of Alitalia, as well as the Italian flag carrier's chief executive and his head of flight operations.

It all started 18 months ago when a passenger left a mobile phone switched on as an Alitalia flight was landing at Turin. The interference caused by the phone on cockpit instruments forced the pilot to take pre-emptive action to avoid an accident.

Another startled passenger reported the incident and the magistrate duly started an inquiry.

His investigation unearthed some alarming facts. Between 1993 and 1996 there were 100 cases on Alitalia airliners of electromagnetic interference from mobile phones, video games and the like.

Raffaele Guariniello, the magistrate, decided to charge Renato Rivero, Alitalia's former chairman, who was brought in from IBM to try to restore the airline's fortunes before resigning last year. Domenico Cennella, the chief executive appointed during last year's management shake-up, and

Pierluigi Quarantini, the head of flight operations, could also find themselves in the dock.

All three have been accused of breaching safety regulations because, according to the magistrate, Alitalia had failed to inform passengers and check that all electronic equipment was switched off.

Golden egg

Canadian minerals company Tan Range could have struck lucky in Tanzania: the snag is that the locals got there first. The company has been prevented from drilling on its property near the village of Hetema - adjacent to the proven Eulankhulu gold deposit - by a Kibonde-style influx of local prospectors.

Hundreds of miners have descended, digging for gold using rudimentary equipment and a makeshift crusher to process ore. In the best gold-rush tradition, entrepreneurs have set up shop to provide food, drink and lodgings for this army of fortune hunters.

It's all a bit frustrating for Tan Range, which with assets of C\$8.5m is hardly a giant of world mining. The company has stopped drilling for fear of antagonising the locals; it's also appealed to Tanzanian authorities to clarify the legal status of the site.

Home truths

L.M. Singhvi, India's high commissioner in London, has packed his bags and taken a trip back home; but he's visiting more than just family and high-placed chums in Delhi. Singhvi's touring the provinces - apparently every state - on what officials say is an effort to familiarise himself with "changes in the economic, social and political environment since reforms were unveiled in 1991".

But watchers of India's turbulent political scene suggest that's not the whole story. They reckon Singhvi - a respected academic whose time in London has been counted a success - is trying to raise his profile ahead of a stab at India's vice-presidency. He is said to covet the job only marginally less than the presidency itself, which falls vacant in the summer and remains the ultimate prize.

That means pressing the flesh at a host of functions, however tiresome. In Ahmedabad recently for the Hindu festival of

Gifted

Hong Kong may be facing the dawn of a new era, but there's nothing avant-garde about the work of art commissioned by telecoms group Cable and Wireless to celebrate the handover to China. The London-based group, which controls Hong Kong Telecom, commissioned artist Ben Johnson to paint a giant oil by 12ft view of the colony.

Johnson - billed by his enthusiastic patron as "a modern-day Canaletto" - specialises in detailed cityscapes. His latest masterpiece is based on 2,000 photographs and took the artist and three assistants an estimated six person-years of work to complete.

The impressive canvas gets its first public show at London's Royal Academy next month; a gift to the people of Hong Kong; it's destined to hang thereafter in the colony's new convention centre. Let's hope they like it.

Financial Times

100 years ago

Electric Light For Vehicles
An opportunity was last night afforded to representatives of the Press of viewing a new practical exposition of a new invention for lighting vehicles with electricity, generated by the motion of the vehicle itself, which seems a distinct improvement over present methods. The invention does away with the difficulty, trouble and expense of having to obtain accumulators at various generating stations, which has prevented the general adoption of electric light for vehicles. A gear is fixed to the hind axle and, connected by an arrangement of cogs to either wheel of the vehicle, which transmits power to the dynamo. Not only is the carriage brilliantly lit, but sufficient power can be stored to supply light for several hours afterwards.

50 years ago

De Gaulle's Policy
Speaking at Strasbourg to-day, General de Gaulle suggested a close association between management and labour along principles somewhat similar to those which are being examined by the new Belgian Government. He considered that "management and labour should divide amicably and themselves faithfully and as decent shareholders profits and risks".

JPK 10150

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FINANCIAL TIMES

Monday April 7 1997

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Labour 'will not join in Emu before 2002'

By John Kampfer,
Chief Political Correspondent

Britain's Labour party yesterday effectively ruled out British participation in a European single currency in the lifetime of the next parliament.

Mr Robin Cook, shadow foreign secretary, told London Weekend Television: "If you didn't join (Emu) in 1999, it is unlikely that you'd be joining in the course of the next parliament."

He added: "In the event that Britain doesn't join in the first wave, while we will continue to review this and look carefully at the figures, I would have thought the probability is that one is looking towards the subsequent parliament."

The move outflanked Mr John Major, UK prime minister, on an issue that has dogged his government, and compounded pressure on him to harden policy during the general election campaign.

Mr Cook made it clear that Labour's reluctance to join monetary union in the first wave, which is scheduled for January 1999, extended to the planned beginning of the Euro-

currency's circulation in 2002.

A senior aide of Mr Tony Blair, Labour party leader, said British voters would now be "more likely to get a single currency under the stated government policy" than under a Labour administration.

Mr Major said Labour's manifesto was "already falling apart" and that Labour's apparent shifts on issues from devolution to trades union reform raised "a question of competence".

The Conservatives described Mr Cook's remarks as "the fifth policy blunder in three days".

However, with up to 150 Tory candidates expressing outright hostility to Emu in their personal election addresses, several voiced their frustration at Labour's latest statement.

"It's what we always feared," said a former minister. "We've tried to get the government to toughen the wording, but we've been trumped."

Mr Bill Cash, a leading Tory Eurosceptic, accused Mr Cook of a "cynical move to obtain power by pretence", but added

"the government's got to make its own position clear."

Mr Blair has told his shadow cabinet he would be unlikely to persevere with a referendum on Emu - a precondition in the event of a cabinet decision to join - in the dying days of the next parliament.

Mr Blair and Mr Cook feel it is by no means certain that Emu will take place at all in 1999; even if it does, and assuming Britain is not part of it, it would take at least two years to assess its success.

It would then take a year for business to prepare for it. That would take the country up to the start of 2002, which would be within months of an election if the next parliament runs its full course.

Mr Kenneth Clarke, the chancellor, whose pro-Emu sympathies have prevented a hardening of Tory policy, described Mr Cook's remarks as "another case of policy being made on the hoof".

Several Tories privately urged Mr Major to overrule Mr Clarke. But Mr Malcolm Rifkind, foreign secretary, who was on the same TV debate, did not take up the challenge.

BVI set to be largest registry for offshore companies

By George Graham,
Banking Correspondent

The British Virgin Islands were the fastest growing centre for offshore company registrations last year and on current trends should outstrip Panama as the world's largest offshore registry by 1999, according to a survey by Offshore Red, a specialist newsletter.

Nearly 42,000 companies were registered last year in Tortola, the principal BVI island, leaving 210,260 companies on the BVI register by the end of the year. The offshore industry has been growing rapidly in recent years.

Centres such as BVI and the Cayman Islands have made strenuous efforts to shed the image of being havens for tax evaders and money launderers by passing stiffer anti-crime laws and emphasising the efficiency and flexibility of their regulatory processes.

BVI is still short of the 324,786 companies registered in Panama, but a proportion of Panamanian companies - the newsletter suggests as many as a quarter - will be ordinary onshore companies, while others will be dormant.

Virtually all companies registered in Tortola are engaged in offshore business.

The Bahamas have also grown rapidly, with nearly 13,000 new registrations last year and 93,537 companies on the books by the end of the year.

The Cayman Islands registered 6,658 new companies, and now have 40,125 on their books.

BVI has been one of the fastest-growing centres in the offshore financial industry.

Besides the fact that tax is levied only on income remitted to the islands, BVI is used by major US and UK banks and law firms because of the ease with which a new company can be set up.

But BVI-registered companies have also featured at the heart of some corporate tax evasion schemes now under investigation by authorities in Italy, Canada and the US.

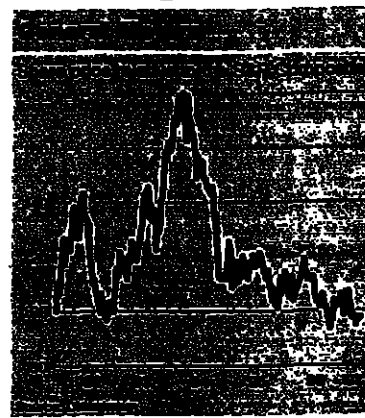
A new mutual fund law, passed last year, is expected to attract more investment to BVI, which currently has around 1,000 mutual funds managing \$55bn.

BVI has also tightened up its anti-crime procedures, introducing a new code of conduct, and a new anti-money laundering law is expected to be introduced later this month.

But in the area of captive insurance companies, Bermuda remained dominant last year, with 97 new incorporations bringing the total to 1,470. It is trailed by the Cayman Islands, Barbados and Guernsey.

THE LEX COLUMN

Cash guzzlers



formance of its infrastructure forebears such as Eurotunnel, which used pro-European fervour and an eye for a freebie to lure punters into a black hole. Nevertheless, Stadium Australia's underwriting banks have committed to funding the project even if the public will not. So the banks and the builders carry the risks of any construction delays and cost over-runs that are usually reserved for governments.

The project may be built within budget and generate vast returns for its owners. And the banks will have no problem off-loading their tickets, even three years before the game starts. But uncertainty over who will be the stadium's regular users after the games means its long-term value is anyone's guess. And the degree of construction activity elsewhere in the run-up to the Olympics could easily push up costs. So the government has probably earned a gold medal in the ancient sport of passing the buck.

Gilts

The near 10 per cent drop in the price of gilts since February might suggest a resurgence of City fears that a New Labour government could still mean Old Labour-style spending policies. Far from it. The culprit has been the jittery US bond market. The yield gap between gilts and German bunds is still lower than at the start of the year.

Ironically, the main restraint on the gilts market is fear that the Tories might do better in the election than expected. If Labour gets in with a workable majority, gilts should rally. Regardless of his medium-term economic policies, a new Labour chancellor is likely to stick to the manifesto - and the Bank of England's recommendations - in the early stages, so an early interest

rate rise looks highly likely. This would also do much to bolster Labour's anti-inflationary credentials, something fixed-interest investors would welcome. Also, a greater commitment to second-wave entry to European economic and monetary union - still a possibility - would reinforce Labour's allegation of austere policies. This could result in an Italian-style summer for bonds. Current 10-year gilt yields are almost 1.7 percentage points higher than German bunds, compared with an inflation rate differential of 0.5 percentage points - so there is plenty to go for.

The main risk is a hung parliament. This could result in a period of weak fiscal policy as the parties preen themselves for another election campaign. But the chances of such an outcome look slim.

BG

A great deal hangs on the forthcoming Monopolies and Mergers Commission report into Britain's gas pipeline pricing. Quite apart from hundreds of millions of pounds of BG's annual cashflow, the reputation of Ms Clare Spottiswoode, the gas industry regulator, is on the line. If the MMC says BG off lightly - as growing speculation suggests it might - the regulator could look pretty silly.

But is that really likely? Optimists argue that the MMC will want to be seen to give something to both sides. Perhaps. But it can easily offer BG some bigish crumbs by, say, slightly increasing the company's allowed rate of return or softening the regulator's aggressive cost assumptions. Either would be good news for BG without undermining the regulator's position on the central issue - how depreciation is treated. It is only if the MMC were convincingly to rubbish her proposals in this area that Ms Spottiswoode's position would look shaky. And that looks distinctly unlikely. BG and its investors may be understandably irritated that she has moved the goalposts. But her reasoning is intellectually robust.

So is the recent outperformance of BG shares unjustified? Not at all. Even if the MMC gave no ground to the company, BG has long looked cheap on fundamentals. And even if the MMC's conclusions imply no bonanza, they will at least bring some certainty back. To buy the shares in anticipation makes compelling sense.

Clinton aiming to break Middle East deadlock

By Judy Dempsey in
Jerusalem and
Bruce Clark in Washington

US President Bill Clinton will today try to bridge a gulf between Israel and the Palestinians that looked deeper than ever as both sides have dug themselves into entrenched positions.

Mr Benjamin Netanyahu, Israeli prime minister, due in Washington last night, made plain that he would not suspend the Har Homa settlement project in Jerusalem which has triggered violence.

"I can only state unequivocally that construction in Jerusalem, the building in Har Homa will continue," said Mr Danny Naveh, the Israeli cabinet secretary, referring to the 6,500-sq-m housing project for Jews in the city's eastern sector which began last month.

Mrs Hanan Ashrawi, a senior Palestinian official who also flew to Washington at the weekend, said talks with Israel

would not resume until Har Homa, and the expansion of Jewish settlements on the West Bank, stopped.

She said there could be no question of separating any single aspect of the peace process.

But the fact that Mrs Ashrawi and Mr Saeb Erekat, the chief Palestinian negotiator, will be in Washington at the same time as the Israeli leader has fuelled speculation about a fresh round of US-sponsored negotiations. A cautiously optimistic statement from Mr Miguel Angel Moratinos, the European Union peace envoy, provided one of the few signs of hope as Mr Netanyahu prepared to meet Mr Netanyahu.

Mr Moratinos said he was "encouraged" by recent discussions about possible confidence-building measures with Mr Yasser Arafat, the Palestinian leader, and Mr David Levy, the Israeli foreign minister.

Before travelling to Washington, Mr Netanyahu went to Minnesota for a meeting with

King Hussein of Jordan who is recovering from surgery. Mr Netanyahu will today seek the US response to his proposal for moving rapidly towards "final status" talks aimed at settling within six months the terms on which Israel and the Palestinians will coexist.

Palestinian officials said yesterday that their delegation's presence in Washington was needed to counter the efforts of pro-Israel groups in the US to lobby Mr Clinton. "We feel that before the American initiative is finalised in all its details, there has to be discussion with both sides - not just with the Israeli side," said Mrs Ashrawi. However, Mr Levy was confident that the US would not press Israel for a halt to the Har Homa project.

The US approach to this issue... does not entail confrontation or pressure, but friendly and responsible clarification," he said.

Hard choices, Page 3

FTC acts to block office stationery merger

Continued from Page 1

for \$108.8m. But on Friday the FTC said the merger would reduce competition in more than 40 local markets.

Mr William Baer, director of the FTC's competition bureau, said: "If the merger is allowed

to proceed, consumers will pay millions of dollars more for their paper, envelopes, pens and folders."

Staples and Office Depot said the deal would benefit the public because it would produce "enormous" cost reductions and efficiencies.

The FTC said it would file court injunctions in Washington next week seeking to block the merger.

Mr Stemburg said there was a "higher than 50 per cent" chance that the company would end up in litigation with the FTC.

FT WEATHER GUIDE

Europe today

After widespread frost overnight, most of western Europe, including the southern UK, will have a brilliantly sunny day. Afternoon temperatures will range from a chilly 7C in Berlin to 15C around Paris and London. Some light rain or drizzle is possible over the north-western UK, but Ireland and the eastern UK will be dry with some sun.

Further south, it will be milder and mainly sunny. Showers will develop over inland parts of Portugal and southern Spain.

Eastern Europe will be very cold with rain or snow and a chilly northerly wind.

Five-day forecast

Western Europe will continue sunny and become warmer with a decreasing risk of night frost. Eastern areas will be very cold at first, but the showers will move away.

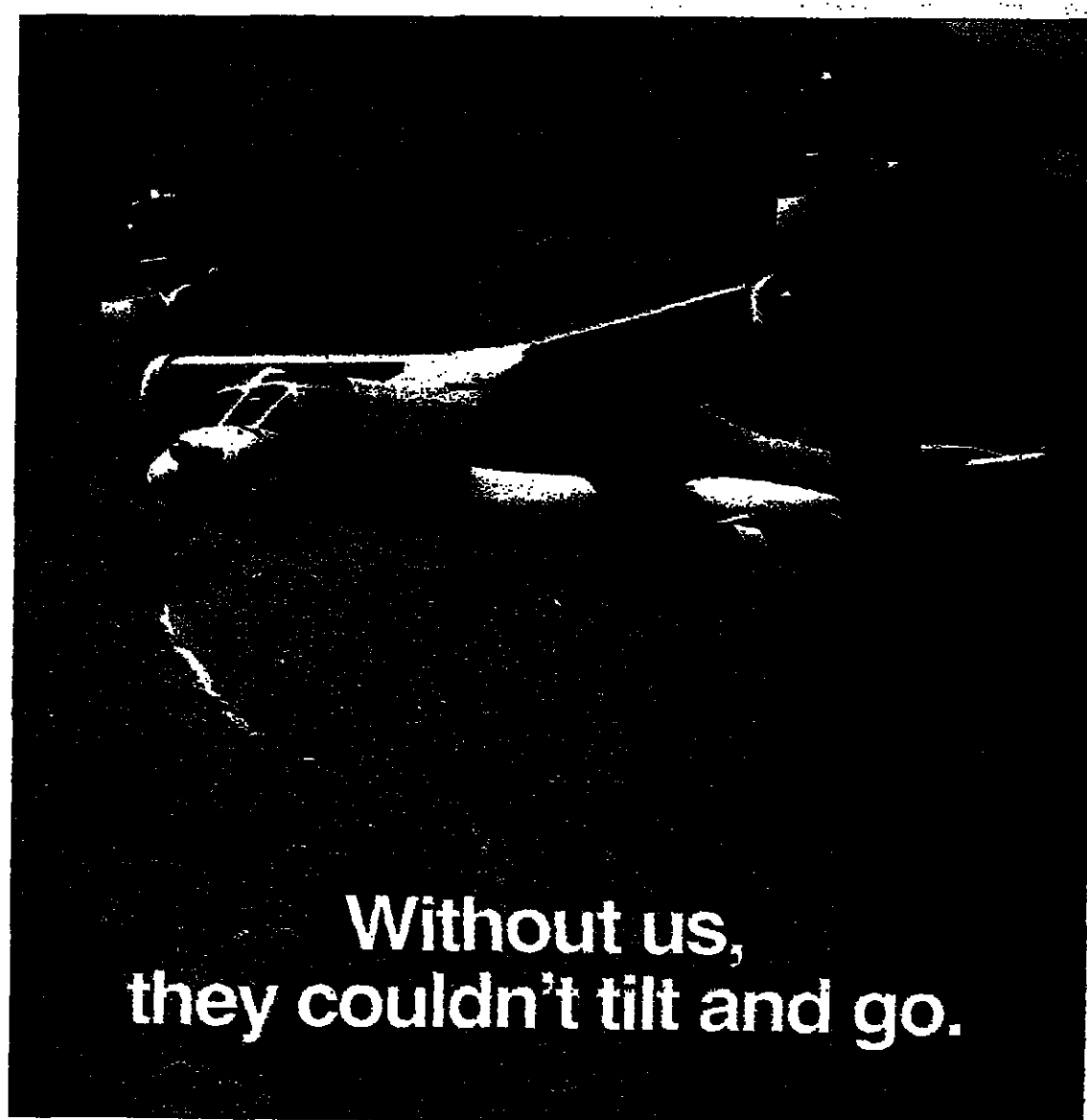
The UK will continue fair and quite mild with some rain in the north. The south-west UK will be sunny.

TODAY'S TEMPERATURES

Location	Temp	Location	Temp	Location	Temp	Location	Temp
Abu Dhabi	30	Algiers	18	Amsterdam	10	Atlanta	18
Athens	18	Bahia	22	Bangkok	28	Batavia	28
Bombay	28	Buenos Aires	12	Calcutta	28	Cairo	22
Canton	18	Cebu	28	Colon	28	Dakar	28
Dhaka	28	Delhi	28	Dubai	28	Hankow	18
Hong Kong	28	Kobe	18	Kuala Lumpur	28	London	10
Lyons	18	Manila	28	Medan	28	Moscow	10
Mumbai	28	Nairobi	28	Paris	10	Rangoon	28
Rangoon	28	Singapore	28	Sourabaya	28	Taipei	18
Taipei	18	Tokyo	18	Yokohama	18	Zurich	10

No other airline flies to more cities in Eastern Europe.

Lufthansa



Flight control actuators supplied by Dowty enable Bell Boeing's V-22 Osprey tiltrotor to take-off like a helicopter, fly at turbo speed, then settle safely onto its Messier-Dowty landing gear. Success with the US Marine Corps has encouraged Bell Boeing to announce a smaller civil version, the BB609.

In contracts worth \$100 million each on projected aircraft sales, Dowty will supply the flight actuator system and Messier-Dowty, TI Group's joint venture with Snecma, the integrated landing gear system. Capable of carrying nine passengers 750 miles at around 300 mph, the BB609 has a brilliant commercial future - and Dowty will tilt things in its favour.

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...the rise looks highly likely. The...
...would be the right approach...
...about the anti-inflationary...
...something fixed interest...
...commitment to second-wave...
...European economic and...
...union - still a possibility...
...could reinforce Labour's...
...an Italian-style...
...Current 10-year...
...almost 1.7 percentage...
...higher than German...
...with an inflation rate...
...of 0.5 percentage...
...is plenty to go for...
...This could result in a...
...weak fiscal policy as the...
...themselves for another...
...campaign. But the chances...
...an outcome look slim.

A great deal hangs on the...
...Monopolies and Mergers...
...regulation report into...
...a pipeline pricing...
...hundreds of millions...
...of RG's annual...
...reputation of Mr. Clare...
...the gas industry...
...on the line. If the...
...lightly - as growing...
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IN BRIEF
Bank of America reviews clients

Bank of America, the San Francisco-based banking group, is reviewing its relationships with its corporate customers in Europe, the Middle East and Africa in the wake of a nine-month review of its worldwide banking activities. After an examination of how profitable each client is to the bank, it plans over the next 18 months to concentrate on building up the business it does with customers from which it is not making enough money. Page 20

Offer period opens for Repsol
The full market privatisation of Repsol, Spain's blue-chip oil and gas and chemicals group, starts today with the opening of the offer period for the remaining 10 per cent of the conglomerate owned by the state. The disposal, which will be completed on April 28 when the issue price is fixed, is expected to raise some Ptas170m (\$1.2bn). Page 20

T&N wins magnetic bearings order
T&N, the UK engineering group, has won one of the biggest ever industrial orders in the esoteric technology of magnetic bearings - used in large process plants to keep rotating parts moving using magnetism. The company, a leader in this field, is supplying £10m (\$16m) worth of magnetic bearings over the next 10 years to the operators of one of Europe's largest gas fields in the Netherlands. Page 21

CanWest breaches TV ownership rules
CanWest Global Communications, the Canadian communications group controlled by Winnipeg's Asper family, was found on Friday to be in breach of Australia's foreign ownership rules through its stake in the Ten Group television network. It has been ordered to "take action to remedy the breach". The Australian Broadcasting Authority, which has been looking into share transactions in Ten between November and January, has decided that these left CanWest in control of 52.49 per cent of Ten's voting equity. Page 20

Revaluations hit Spain's Tabacalera
Tabacalera, the Spanish state-controlled tobacco group awaiting further privatisation, has revised its profits for last year to show a sharper 16 per cent fall in consolidated net earnings to Ptas1.78m (\$8m). The change, from a Ptas1.48m figure announced last month, reflected a Ptas2.51m capital loss from revaluing a building in central Madrid and properties in the Canary Islands. Page 20

Co-op denies rift in senior management
The Co-operative Wholesale Society denied any rift at the top after Mr John Owen, one of its five-strong executive, decided to step down. Mr Owen said that his departure was of his own volition. He admitted that the timing was unfortunate, but said he had completed the job he had set out to do and would leave in a spirit of goodwill. Page 21

New metal futures contract for Japan
The Tokyo Commodity Exchange (Tocom) is to launch today its aluminium futures contract, the first base metal futures contract in Japan. Tocom in February approved 74 members - including all nine of Japan's leading trading houses - to trade the contract, as well as 18 warehouses to store metal deliverable against the contracts. Page 20

Capital to emphasise its assets
Capital Corporation, target of a £192m (\$305.2m) hostile bid from London City International, its larger rival in the London casino market, is expected this week to outline its profit potential. It will outline its arguments by Saturday - day 36 of the bid, the last on which a target can issue new financial information under takeover rules. Page 21

Philips to sell electronics units
Philips, the Dutch electronics group, is continuing its rationalisation programme by putting up for sale nine smaller units in its industrial electronics division which employ 1,500. Page 20

Metropolitan under black control
New Africa Investments, South Africa's largest black-controlled company, is poised to take effective control of Metropolitan Life, the leading insurer in the black consumer market, from Sanlam, the life insurer. Page 20

Lauritzen reduces losses to DKR250m
Lauritzen, the Danish shipping and shipbuilding group, managed to cut its losses from DKR620m in 1995 to DKR250m (\$40.6m) last year, in spite of continuing problems at its Danysard shipbuilding unit. Page 20

Son succeeds at Israel Corp
Mr Erwin Eisenberg was appointed chairman of Israel Corporation following the death last month of his father, Mr Shaul Eisenberg, during a business trip to China. Page 20

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Knight-Ridder buys four US titles
\$1.65bn newspaper deal focuses information group on print business

By Richard Waters
in New York

Knight-Ridder, the US information group, has staked its future on the traditional daily newspaper business with the acquisition of four dailies for a total of \$1.65bn. They are being sold by Walt Disney, which bought them as part of its 1995 Capital Cities/ABC acquisition. The deal caps a series of decisions which have taken Knight-Ridder out of new media such as cable television and online data, to focus on its core print business.

The latest newspaper acquisitions, announced late last Friday, will add a considerable financial burden to the company and may dent its shares in trading today.

The papers being sold by Disney include the Kansas City Star, famous as the place where Ernest Hemingway got his start as a journalist, and the Fort Worth Star-Telegram. They join a group of titles that includes the Miami Herald and the Philadelphia Inquirer, and which together accounted for four-fifths of Knight-Ridder's \$2.5bn revenue last year.

The new titles generate revenue of about \$500m and have grown at slightly more than 7 per cent a year in the past four years, the company said.

To help finance the purchase, Knight-Ridder said it would sell its remaining online information business, largely founded on database services for business and professional customers. It has already sold several businesses unrelated to its core newspaper operations, including the Journal of Commerce, which was bought by The Economist a year ago, and a series of cable TV investments sold this year for \$300m. Another disposal would lift some financial pressure from the newspaper deal.

Growth of financial services sector lifts it to second place by market value

UK to become counting-house of the world

By Rose Tienan in London

Britain, once the workshop of the world, may be becoming its counting-house. In the coming months the financial sector, which accounts for 20 per cent of the stock market's value, will increase in size by some £22bn (\$35bn) as building societies and mutual insurers become quoted companies, or are acquired by them.

The accelerating consolidation of UK financial services is changing the composition of the UK market. Historically, the sector has been under-represented on the market, and for good reason. Money-lending, stockbroking and insurance used to be protected from competition.

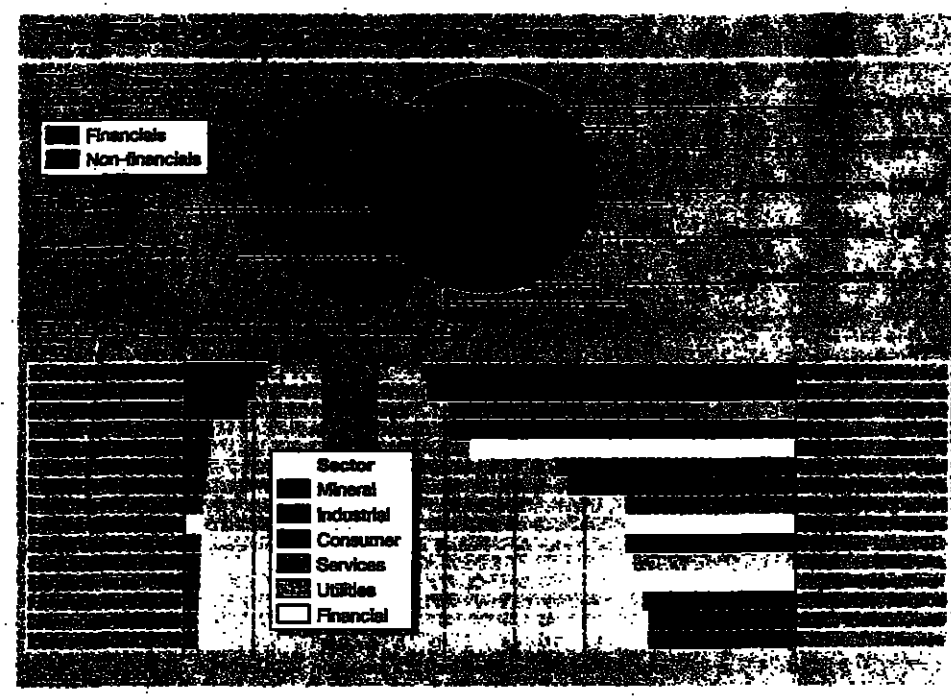
Consolidation is a longstanding trend. But deregulation during the 1990s has combined with a switch to telephone banking, to telephone search for efficiencies.

To thrive, financial institutions now need economies of scale. They must be free to do deals. They say traditional forms of building society ownership, restrict their freedom.

This month Alliance and Leicester Building Society is expected to complete its £2.3bn-£2.6bn flotation. Halifax, Britain's biggest building society, will merge with Leeds Building Society before floating in July. Norwich Union will come to market in their wake. And so it goes on.

Quoted financial services companies now have an aggregate value of some £195bn, which these flotations are set to swell by 11.5 per cent. The sector would then account for 21.7 per cent of the market by value, only 1.5 per cent less than the largest services.

The growth of financial services highlights changes in the composition of the stock market since the Conservatives came to power in 1979. Tracking these by analysing



sectors is tricky because the criteria of classification have changed. But a breakdown by market value and sector of the 50 largest UK companies shows the patterns.

Since 1983, the capitalisation of these top 50 companies has grown more than eightfold, to \$463bn. Fifteen years ago, industrial companies made up the biggest portion of the 553.8m total, some 24.67 per cent. Today, their value has tripled, but they account for just 9.63 per cent of the total.

The biggest sector is now consumer products, up from 20.55 per cent of the total to 24.11 per cent. Other services is second, having surged from 13.85 per cent to 20.71 per cent, while financials has grown from 16.34 per cent to rank third at 18.55 per cent. The utility sector, now valued at \$54bn in the sample, accounts for 13.84 per cent of its value.

The contraction of the industrial companies, and the expansion of services may be exaggerated by the upsurge in outsourcing and the fad for focus. Privatisation accounts for the growth of utilities.

But there can be only one explanation for the rise of the quoted financial services sector: wealth - more of it.

French retailer in financial services drive

By Andrew Jack in Paris

Pinault Printemps Redoute, the French retailing group, plans an ambitious drive to sell financial services, intensifying competitive pressures on the country's banks and insurance companies.

The group, which controls leading shopping chains such as La Redoute and the FNAC books and records network, is preparing to launch a wide-ranging campaign early next year.

Mr Serge Weinberg, chairman of PPR, said activities to be developed may include the sale of insurance and more importantly a series of savings products. He ruled out any move into direct banking.

He stressed that the details had not yet been finalised, but the services would be sold using the group's extensive telemarketing experience, catalogues and possibly through small offices in its retail branches.

PPR could also offer independent financial advice allowing its customers to buy financial products from a range of companies.

The group already has a substantial and profitable activity devoted to consumer credit, with specially branded cards for about 7m customers managed either through joint ventures with financial companies or, increasingly, directly by its own teams.

It also has a modest financial services arm, Finaref, planned to be substantially expanded under Mr Jean-Pierre Letranchet, appointed its head on March 3. Finaref generates millions of francs in premiums each year.

The new approach is designed to exceed this level considerably and extend well beyond the capacity reached by rival French retailers, such as by the hypermarket group Carrefour.

Mr Weinberg has been experimenting with telemarketing, the Internet and other remote sales techniques across PPR's activities. The group has recently launched a catalogue and phone sales operation to supplement FNAC's sales in its shops.

Mr Weinberg said the group was already selling "several dozen" items daily on the Internet.

Float could value Global Link at up to \$6bn

By Alan Cane

USA Global Link, a US telecommunications company credited with innovative and often controversial ways of cutting the cost of international telephone calls, plans to float this year.

The initial public offering could value the fast-growing company at \$3m-\$5m (\$1.8m-£2.7m), according to its principal officers.

Merrill Lynch of the US confirmed yesterday that it had been retained as adviser. It has not yet been decided on which stock market the offering will be made.

Global Link, based in Fairfield, Iowa, turned over just under \$1m a year. It existed as a potential investor worldwide two weeks ago with the announcement of a commercial "Internet telephony" service, offering call quality comparable with conventional services at a fraction of the cost.

Mr Christopher Harnett, founder and chairman, said he can offer, for example, Internet calls from Japan to the US at 39 cents a minute, compared with up to \$2.25 a minute through traditional carriers.

The flotation will be one of the first by a "virtual" telecommunications company, a new breed of fast-moving, flexible operators unencumbered by the legacy of heavy investment in infrastructure. Of many conventional large operators.

US investors are still exhibiting a considerable appetite for telecoms success stories. For example, a manufacturer of telecoms components which floated in February was valued at \$2.14bn, the largest post-offering valuation of a venture-backed IPO.

Global Link buys capacity from international operators at wholesale prices to meet the needs of its customers but installs its own intelligent switches to funnel traffic to its destination.

It is the largest reseller of discount international telecoms services and a world leader in "callback", a controversial technique whereby calls from countries with high tariffs are billed in countries with lower prices.

Callback is one of the chief factors behind the gradual collapse of the International Accounting Rate System, an international cartel of telecom operators which keeps the price of international calls artificially high.

Global Link's use of the Internet to deliver calls will cut costs even further. It is the first company to offer an international, high-quality service. "We can make a clear call to anywhere in the world," Mr Harnett said.

The Internet was designed to transmit data rather than voice, leading to delays and distortion. Global Link uses technology to test for a clear Internet path between caller and recipient. If there is congestion on the line, it uses a hierarchy of other routes to deliver the call.

Mr Harnett said developments such as Internet telephony were driving fundamental change in the telecoms industry.

Microsoft buys WebTV Networks

By Louise Kehoe
in San Francisco

Microsoft, the world's leading software company, is to acquire WebTV Networks, a Silicon Valley company which has developed technology to enable consumers to surf the Internet on their television sets.

The acquisition is a mark of Microsoft's determination to play a leading role in the convergence of personal computing and consumer electronics. When digital television transmissions begin in the US next year.

"This partnership underscores our strategy of delivering to consumers the benefits of the Internet together with emerging forms of digital broadcasting," said Mr Bill Gates, Microsoft chairman and chief executive.

Microsoft is paying approximately \$425m.

The company also unveiled proposed standards for linking the Internet and television networks and announced plans to incorporate features in its Windows personal computer operating system, to enable PCs to receive broadcast video and digital data.

Mr Messier said the deal was a "very significant" one for the company. The new drive - due to be called Novocast - is likely to be the company's largest selling product.

The case against two companies had been put on hold until the Novocast outcome.

Mr Messier said the deal was a "very significant" one for the company. The new drive - due to be called Novocast - is likely to be the company's largest selling product.

Coming to your screen, Page 5

Glaxo hit by US ruling on Zantac

By Jane Martinson in London

US sales of Zantac, the drugs company's best-selling drug, have been hit by a ruling on the drug's safety. The ruling, issued by the US Food and Drug Administration (FDA), states that Zantac is safe for short-term use but may cause heart problems if taken for a long time.

The ruling is the first ruling in eight cases brought by Glaxo against competitors. Although the company has the option of taking the case to the US Supreme Court, it is unlikely to do so.

Dr Jacques Messier, president and chief operating officer of Novopharm, said he expected the other companies to ask for a speedier court ruling.

The case against two companies had been put on hold until the Novocast outcome.

Mr Messier said the deal was a "very significant" one for the company. The new drive - due to be called Novocast - is likely to be the company's largest selling product.

US sales of Zantac are estimated at about \$1.68bn (\$1.02bn) and Glaxo indicated last month that the drug's sales in the US could fall by 80 per cent because of competition.

Dr Messier said that "potential profits will depend on how many people will be straight off the mark in July". Novopharm said pharmacists could sell its version of the drug soon after the patent expires on July 25.

Friday's expected ruling comes after a three-year legal battle during which Glaxo has argued that a generic drug would infringe its copyright on "Form 2" of Zantac, which does not expire until 2002.

Novopharm said that it had been successful because it had proved that it could make a "pure version of Form 1", the patent of which was originally due to expire in 1995, but has been prolonged until August.

Glaxo warned last month that earnings could be flat until 1999, assuming that litigation on Zantac's patents went against the company. The group has reduced its dependency on the drug in the last few years. In 1990 Zantac accounted for almost half Glaxo's entire turnover, last year it was 28 per cent.

This announcement appears as a matter of record only.

February 1997

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RENEF R.A.
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Hamil Bank
Gyongnam Merchant Banking Corporation
Kyongnam Bank
Co-Managers
Passon Bank
Millford Holding Co. Ltd.

COMPANIES AND FINANCE

CanWest breaches TV ownership rules

By Nikki Tait in Sydney

CanWest Global Communications, the Canadian communications group controlled by Winnipeg's Asper family, was found on Friday to be in breach of Australia's foreign ownership rules through its stake in the Ten Group television network. It has been ordered to "take action to remedy the breach".

The Australian Broadcasting Authority, which has been looking into share transactions in Ten between November and January,

has decided that these left CanWest in control of 52.49 per cent of Ten's voting equity.

This is well in excess of the 14.9 per cent voting limit to which, as a foreigner, CanWest would normally be subject.

Before the latest share dealings, CanWest held a 57 per cent stake in Ten, one of Australia's main commercial TV networks, but had restricted its voting interest to the required 14.9 per cent.

However, a number of other shareholders in Ten - speaking for 37.49 per cent of the group's shares

- had been anxious to sell out, and CanWest had pre-emptive rights to buy their stock.

With the foreign ownership limit known to be a problem - CanWest had already been subject to one ABA inquiry - a stable of companies was established to buy this stock.

However, the ABA inquiry, which released its findings on Friday, noted that the purchases had been funded by Crie Staron Capital, a wholly-owned subsidiary of CanWest.

After examining the various

commercial arrangements between DSK and the other companies, it concluded that their directors would "follow the wishes and interests of the companies... at a meeting of the shareholders of the Ten Group".

The ABA has given CanWest six months to remedy the situation. It said its ruling did not necessarily imply a sell-down of the stake.

"It is a complex matrix of factors and circumstances, so it will be a question of what structures can be changed and what arrangements

can be changed where CanWest is not able to exercise control," said one official.

Australia's constraints on foreign ownership of media assets has been a bone of contention for some time. Mr Conrad Black, another Canadian media proprietor, rallied against the restrictions, and ultimately sold out of John Fairfax, the newspaper group, last year.

A federal government review of cross-media ownership constraints is under way, and this is expected to touch on foreign ownership as well.

INTERNATIONAL NEWS DIGEST

Revaluations hit Tabacalera

Tabacalera, the Spanish state-controlled tobacco group awaiting further privatisation, has revised its profit figures for last year to show a sharper, 16 per cent fall in consolidated net earnings to Pta11.73bn (\$83m). The change, from a Pta13.46bn figure announced last month, reflected a Pta2.51bn capital loss from revaluing a building in central Madrid and properties in the Canary Islands.

The company took advantage of a government measure last year allowing for the updating of fixed asset values, which provided potential tax benefits. It said that by making a special provision against profits rather than against reserves it was applying "strict accounting orthodoxy". It added that most of its fixed assets were still valued at well below their market worth.

The group's profits were already down against the previous year's figure of Pta14.03bn as extra taxes imposed last summer hit cigarette sales. Its revised figures show a steeper fall in operating profit as well, of 35.6 per cent to Pta12.03bn compared with a 30 per cent drop announced earlier. Tabacalera said, however, it would maintain its dividend plans, proposing a total payment for 1996 of Pta176 a share - a 10 per cent increase.

David White, Madrid

Base metal futures for Japan

The Tokyo Commodity Exchange (Tocom) is to launch today its long-awaited aluminium futures contract, the first base metal futures contract in Japan. Tocom in February approved 74 members - including all nine of Japan's leading trading houses - to trade the contract, as well as 16 warehouses to store metal deliverable against the contracts.

The decision to initiate the futures market has been opposed by Japan's aluminium industry, whose manufacturers depend on imports of the metal for almost all their consumption. They use the London Metal Exchange (LME) to determine prices. Mr Masahiro Kumamoto, chairman of the Japan Aluminium Federation, has said local manufacturers will ask Tocom to suspend trading if the new contract's price is significantly different from that of the LME. Tocom is nurturing plans to become Japan's version of the LME. In January, Mr Naoto Mabuchi, Tocom president, said his exchange planned to launch futures contracts for copper, lead and zinc within five years.

Gary Mead

Philips to sell electronics units

Philips, the Dutch electronics group, is continuing its rationalisation programme by putting up for sale nine smaller units in its industrial electronics division which together employ 1,500. It said on Friday it had engaged Dresdner Kleinwort Benson to organise the disposals by the end of this year.

The industrial electronics division, part of Philips' professional products and systems group, is to refocus on analytical equipment such as X-ray machines, communication and security products, electronic production equipment, and industrial and infrastructural projects. The company said the operations being divested had good prospects but "having new owners willing to invest in this type of industry will best serve their and their customers' long-term interests".

The nine include Philips Industrial Automation Systems and PRF, both based in the Netherlands, as well as Philips Power Systems of Belgium, Thermocox of France, Philips TV Test Equipment of Denmark, Philips Weighing and Philips Electronic Center of Germany, Philips Kistindustri of Sweden, and Edax International of the US.

Gordon Crabb, Amsterdam

MetLife goes to black control

New Africa Investments, South Africa's largest black-controlled company, is poised to take effective control of Metropolitan Life, the leading insurer in the black consumer market, from Sanlam, the life insurer which was founded in 1918 as a vehicle for Afrikaner economic empowerment.

The transfer of control concludes a process begun in 1993, when Sanlam sold 10 per cent of MetLife to New Africa to promote black economic empowerment. New Africa now holds 30 per cent, which it will boost to 40 per cent by giving Sanlam new non-voting shares in New Africa in exchange for a further 10 per cent. The deal means the end of the 1993 agreement between the two companies, which gave New Africa voting power but barred it from using more than 15 per cent of MetLife's assets when leveraging other transactions.

Full details of the swap have yet to be announced, but analysts suggested New Africa would pay a premium of about 10 per cent for the MetLife stake. Issuing non-voting shares to Sanlam will ensure the transaction does not compromise black control of New Africa. These will be issued at the current market price, with a total value estimated at about R620m (\$400m).

The swap deal represents a further step in the restructuring of Sanlam, the country's third largest equity investor. Sanlam is reducing its stakes in many sectors of the local economy to assemble a more balanced equity portfolio of minority interests in non-core industries.

Mark Ashurst, Johannesburg

Lauritzen reduces losses

Lauritzen, the Danish shipping and shipbuilding group, managed to cut its losses from DKr632m in 1996 to DKr299m (\$40.6m) last year, in spite of continuing problems at its Danyard shipbuilding unit. It attributed the improvement to a better performance from J. Lauritzen Shipping, which specialises in refrigerated cargo vessels and operates a fleet of small gas carriers, and from DFDS Scandinavian Seaways, the North Sea freight and ferry operator.

Group turnover was down from DKr16.08bn to DKr14.35bn, reflecting disposals. The group is struggling with Danyard, which incurred a DKr1.08bn loss last year compared with a loss of DKr490m in 1995. Lauritzen took a DKr400m charge in 1996 to cover further potential losses from the yard. Last week Lauritzen agreed to sell the shipyard to Penang Shipbuilding Construction, controlled by Malaysian businessman Mr Amin Shah. However, the sale, for DKr600m, depends on approval from the Malaysian government.

Lauritzen made it clear that unless the shipyard, based in north-east Jutland, won new orders for steel-based ships within the next few months, it faced closure. The yard is negotiating orders for chemical carriers for Stolt-Nielsen of the US, but Mr Shah is understood to be primarily interested in the yard's know-how in construction of the Standard Flex naval patrol boats it has supplied to the Danish navy. The Malaysian government is planning an order of up to 26 of the naval patrol boats.

Ellary Barnes, Copenhagen

Son succeeds at Israel Corp

Mr Erwin Eisenberg was yesterday appointed chairman of Israel Corporation following the death last month of his father, Mr Shaul Eisenberg, during a business trip to China. His appointment comes at a crucial time for IC, Israel's largest investment and holding company, which faces increasing pressure to restructure. One of his main tasks will be to restructure Zim, the shipping subsidiary which incurred a loss of Shk32m (\$15.5m) last year as it faced growing competition from south-east Asia. IC reported a 71 per cent drop in profits last year from Shk34m in 1996 to Shk24m on a 14 per cent decline in sales, from Shk3.82bn to Shk3.30bn.

Judy Dempsey, Jerusalem

Pyrrhic marketing victory for Informix

The software supplier has won a technological edge on rival Oracle, but at the price of sales

Informix may have disappointed Wall Street when it projected a sharp drop in first-quarter sales last week, but on Oracle Parkway in Redwood Shores, California, the news was greeted with not a little gloating.

Oracle and Informix - two of the world's leading suppliers of database software programmes - are bitter rivals, and they make no attempt to hide it. Each company has erected a motor-way billboard close to the other's headquarters in Silicon Valley, taking a dig at its competitor.

Oracle's advertisement its interest in hiring Informix programmers - an issue that is at the core of a legal battle between the companies. Informix's billboard calls Oracle a "dinosaur".

No surprise, then, that Oracle officials were less than sympathetic when Informix issued a warning last week that it expected to report a "substantial" operating loss and net loss for the first quarter.

With final results due at the end of this month, Informix said first-quarter sales would be between \$130m and \$145m. That is far short of the \$204m reported a year ago, not to mention the \$250m Wall Street analysts had predicted.

Informix, it emerged, had become so intent upon beating Oracle to market with a new type of database software that it had taken its eye off core products.

Oracle, with fiscal 1996 sales of \$4.2bn, dwarfs Informix, which last year achieved revenues of \$835m.

For the past four months, however, Informix has been



Caught up in a billboard battle with Oracle, Informix failed to realise its customers would be slow to adopt a new generation of database software

claiming a technological lead over Oracle. Last December, Oracle executives also accused Informix of rushing a product to market that had not been fully tested.

Now analysts are beginning to agree. "Universal server is getting headlines but not contracts," said Mr Chuck Phillips of Morgan Stanley in a new report on the Informix product.

The server released last December was a "proof of concept" rather than a "rugged, tested product", he said.

Informix acknowledged that it became "enamoured with our technology lead and took our eye off the ball

in our core markets", leading to a sharp decline in first-quarter sales.

In an unusually frank admission, Mr Phil White, Informix chief executive, blamed an "over-emphasis on emerging object relational technology" for slowing sales of established products. Sales of UNIX database products and those designed to run on Microsoft's Windows NT operating system had lost momentum, he said.

Mr White also told analysts that a number of large database sales expected to close in the first quarter had not been completed. He could offer no assurance that these sales would close "in the foreseeable future".

Informix saw weakness in all geographic regions, but Europe - traditionally one of its strongest markets - was particularly weak. Competition did not cause the fall in sales, Mr White said.

However, analysts noted that Oracle's European sales grew strongly in its third fiscal quarter, ended February 28.

Sounding shell-shocked, Mr White said that Informix managers were "extremely upset and disappointed". Informix would regroup and refocus on its established products, he said.

The company's mistake, it appears, was to focus on beating its competitor rather than on meeting customers' needs. Caught up in a marketing battle with Oracle, it failed to recognise that most of its customers would move cautiously in adopting a new generation of database management software.

The Informix billboard is now the butt of jokes within Oracle and a cruel reminder to Informix of its mistakes. Yet as Mr Larry Ellison, Oracle chairman and chief executive, attempts to usurp Microsoft's hegemony in desktop computer software, the sign might serve as a warning of the dangers of getting caught up in a marketing battle of technologies.

Louise Kehoe

Offer period opens for Repsol privatisation

By Tom Burns in Madrid

The full market privatisation of Repsol, Spain's blue-chip oil and gas and chemicals group, starts today with the opening of the offer period for the remaining 10 per cent of the conglomerate owned by the state. The disposal, which will be completed on April 28 when the issue price

is fixed, is expected to raise some Pta170bn (\$1.2bn).

The sale, in line with the centre-right government's policy to encourage "people's capitalism" and employee share ownership, is weighted towards small investors and Repsol's staff.

It will be co-ordinated by Goldman Sachs of the US, the energy group's tradi-

tional foreign bank adviser, by Banco Bilbao Vizcaya (BBV), the domestic banking group which controls 7 per cent of Repsol stock, and by Banco Santander de Negocios, the merchant banking unit of Spain's leading financial institution.

Sept, the industry ministry agency which owns the Repsol stock, has raised the

domestic retail tranche of the disposal from 39 per cent to 42.5 per cent of the total offer and it will award small investors a 4 per cent discount on the issue price.

A further 15 per cent of the disposal, carrying a 10 per cent discount, will be offered to Repsol's present and past employees on innovative terms.

Employees buying Repsol stock will only be required to pay 10 per cent of the value of the shares they acquire under a scheme called "guaranteed Repsol" which is underwritten by BBV and by La Caixa, the Barcelona-based savings bank which is also a core Repsol shareholder.

For the first three years

Repsol employees entering this scheme will hand over the dividends earned by the equity they acquire to BBV and to La Caixa. At the end of this period, the creditor banks will either make up any losses on the share price or split the gains on the value of the stock with the employee shareholder on a 50/50 basis.

BofA plans review of corporate relationships

By George Graham, Banking Correspondent

Bank of America, the San Francisco-based banking group, is reviewing its relationships with its corporate customers in Europe, the Middle East and Africa in the wake of a nine-month review of its wholesale banking activities.

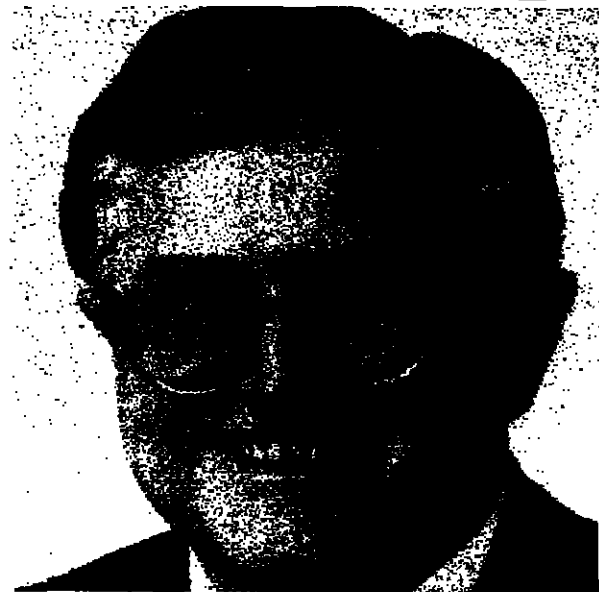
After an examination of how profitable each client is to the bank, it plans over the next 18 months to concentrate on building up the business it does with customers from which it is not making enough money.

Mr Michael Murray, vice-chairman, corporate and international groups, expects to repair most of the relationships where the bank is not hitting its profit targets by offering other services.

"Ultimately, there may be some relationships where the fit between the two firms is not what it needs to be. In that case, we will work out an effective disengagement strategy," he said.

Banks have become more sophisticated about measuring how much capital they have to devote to each customer and have become acutely aware that they do not, in general, get an adequate return on the capital needed for simple services such as plain lending or foreign exchange trading.

As they concentrate on the more profitable clients for whom they perform more sophisticated banking ser-



Michael Murray: says BofA plans to offer more services

VICES, they have in many cases cut their client lists substantially. Standard Chartered, for example, recently announced that it was ending its relationship with 550 corporate clients.

Mr Murray expects that in most cases the bank could meet its profitability targets by offering additional services. He said finance directors were well aware that their bankers needed to make money from their business.

"These are very civil, adult conversations. They say: 'What took you so long?'" he said.

The reorganisation of

BofA's European operations will also involve stepping up its structured finance business and its activities in central and eastern Europe.

Mr Murray said BofA would expand its representative office in Moscow and hoped to obtain a full banking licence there when the regulators permit. He also plans to expand to a full banking licence in Poland.

The bank has restructured its trading operations, consolidating market-making in London and trimming its currency trading teams as the foreign exchange market becomes more automated.



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COMPANIES AND FINANCE

Glaxo may pay non-executives in shares

By Jonathan Guthrie

Glaxo Wellcome is planning to pay its non-executive directors partly in its own shares. The pharmaceutical giant wants to bring its remuneration practices more closely into line with those of other large multinational companies, particularly those based in the US.

Two weeks ago, Hermes, one of the UK's biggest pension fund managers, in charge of £18bn (£28.6bn) funds, published a report calling for companies to consider giving non-executive directors half their remuneration in shares.

But Glaxo Wellcome stressed that its proposal was the idea of its two-man non-executive director remuneration committee, consisting of Sir Colin Corness,

chairman, and Sir Richard Sykes, deputy chairman and chief executive. The company said shareholders had been notified of the plan, which they would consider at the May 19 annual meeting, before the Hermes report was published.

The company said: "The proposal is driven by the committee's own experience of global practices. The idea is to further align the interests of the non-executive directors with those of the shareholders."

The company now pays bonuses to executive directors mainly in shares rather than cash, in line with the recommendations of the Greenbury report on executive remuneration, published in 1995.

The new plan falls short of Hermes' recommendations,

because only about 15 per cent of non-executive directors' salaries would be paid in shares.

Meanwhile, Sir Roger Hurst, who is expected to become non-executive deputy chairman after May 19, when Sir Richard Sykes replaces Sir Colin Corness as chairman, would receive a £50,000 annual fee and £10,000 in shares.

The non-executive directors would receive the shares for this year immediately if the proposal is approved by shareholders. But they would be required to hold them for the duration of their appointments.

The proposal is likely to be criticised by some corporate governance activists, who claim share pay-outs to non-executive directors compromise their independence.



Sir Richard Sykes, who, with Sir Colin Corness, comprises the remuneration committee

CWS denies rift at top as director goes

By David Blackwell

Britain's Co-operative Wholesale Society, which is facing an unwanted approach for some of its businesses from Lancia Trust, yesterday denied any rift at the top after Mr John Owen, one of its five-strong executive, decided to step down.

Mr Owen said yesterday that his departure was of his own volition. He admitted that the timing was unfortunate, but said he had completed the job he had set out to do and would leave in a spirit of goodwill. Aged 54, he has worked for the co-operative movement for 38 years. "I see an opportunity to move on. It's as simple as that," he said.

However, Mr Owen, who was considered for the CWS regional specialist retailing, will continue to work on several projects for the society that will take at least until the end of the year.

Mr Owen was one of the four candidates for the post of chief executive, taken up by Mr Graham Melmoth last year. The CWS said there had been some differences of opinion between the two

men, but insisted that Mr Owen had decided to leave the executive because he had completed his task of controlling operations of the CWS retail operations.

There are no plans to replace him. The CWS also said in a statement that "any eventual severance settlement would be for the board remuneration committee to decide, and it is unlikely that they will meet until the autumn."

Mr Owen is understood to be on a salary of more than £200,000 (£318,000) a year. Lancia Trust, the investment vehicle of Mr Andrew Ragan, is considering a £500m approach for the CWS non-food businesses. However, its ultimate target and proposals have not yet been revealed. It is likely to make its first announcement next week, when the CWS, which has annual sales of more than £3bn, publishes its 1996 results.

In spite of a sharp rise in profits at The Co-operative Bank announced last week, the overall CWS consolidated accounts are expected to show a further fall in retained profits to about £20m.

Capital Corporation to emphasise its assets

By Scheherazade Daneshmandi, Leisure Industries Correspondent

Capital Corporation, target of a £192m (£306.2m) hostile bid from London Clubs International, its larger rival in the London casino market, is expected this week to outline its profit potential and how its management is best placed to realise that value.

It will outline its argu-

ments by Saturday - day 20 of the bid, the last on which a target can issue new financial information under takeover rules. In its defence document three weeks ago, Capital, which owns the upmarket Crocwoods and the Colony Club casinos in London, attacked London Clubs' record of managing upmarket casinos. But it is expected this week to focus on the value of its own

assets to back its argument that London Clubs' offer undervalues the company.

At Friday's closing prices, London Clubs' 47-for-100 all-paper offer values Capital at 182p a share against Capital's 200p share price. Analysts believe that London Clubs can afford to raise its final offer at the end of next week by up to 10 per cent, but some believe it may not choose to do so unless a

rival bidder emerges.

Capital is expected to underline the scarcity value of Mayfair casino licences and to quantify some of the benefits expected from government deregulation of the industry. The government proposes allowing casinos to install amusement machines, with unlimited prizes and to advertise themselves for the first time.

Capital is also expected to

outline its strategy for capitalising on Crocwoods as an international brand.

It emerged last week that 11 staff from Capital's corporate headquarters resigned on Tuesday after an argument over pay. It is understood that the management, which had promised to pay them a loyalty bonus at the end of the bid, refused demands for the bonus to be paid up-front. The staff, who

were on salaries of less than £30,000 a year on average, were mainly involved in accounts and administration.

Tension had been mounting during a review of head office operations with a view to cutting costs partly by making redundancies. It is understood that the staff have been replaced and that heads of departments were not involved in the walk-out.

Large investors criticise proposed L-Tip targets

By Roger Taylor

Several large UK companies, including Reuters, the media group, and Lloyds TSB, are coming under pressure from institutional investors to drop proposed new remuneration packages for executives.

As the AGM season gets into swing, with more than 80 meetings before the end of the month, institutions warned they would take a dim view of executive option schemes and long term incentive plans (L-Tips) which set inadequate performance targets for managers.

At the Lloyds TSB meeting on April 15, shareholders will be asked to approve an

executive share option scheme giving managers up to four times their annual earnings in share options if, over a three year period, returns to shareholders are among the top half of FTSE 100 companies and earnings per share grow by more than inflation plus 2 per cent a year.

One institutional investor said: "Growing earnings by 2 per cent over inflation is hardly a rigorous target."

On April 15, Reuters is putting forward an L-Tip which has even less stringent criteria. The pay-out starts if the company is the 50th best performer in the FTSE 100 over three years. The scheme was also critic-

ised because the it applied a rolling three-year period.

Ms Anne Simpson, joint managing director of Pirc, the corporate governance consultancy, said: "L-Tips which pay out on performance over a rolling period will reward volatility rather than steady share price performance. Directors who see their company's share price collapse and then climb back over the subsequent three years would cash in, even though shareholders would be no better off."

This type of L-Tip was often worse than the share option schemes it was designed to replace, she said. Pirc is advising clients to vote against both schemes.

Finance chief for Aston Villa

By Patrick Harverson

Aston Villa, the Premiership football club which is preparing to float on the stock market this spring, has appointed Mr Mark Ansell, head of corporate finance at accountants Deloitte & Touche in the Midlands, as its finance director.

Mr Ansell, 45, who has advised the club for more than 10 years, will be joining the board of the new public company along with Mr David Owen, senior corporate partner at Edge & Ellison, the law firm.

Mr Owen, who has also been an adviser of the club for many years and who previously ran a merchandising business for the club called Aston Villa Promotions, will be a non-executive director of the company.

The club has still to finalise the appointment of one other non-executive director. However, a well-known businessman, believed to be chief executive of a quoted company with annual turnover of more than £4bn, is expected to be named as the final member of the new board later this week.

The three new members will join Mr Doug Ellis, executive chairman, Mr Steve Stride, company secretary, and Mr Peter Ellis.

T&N in 'breakthrough' order

T&N, the UK engineering group, has won one of the biggest industrial orders in the history of the company, a contract to supply magnetic bearings - used in large process plants to keep rotating parts moving using magnetism, writes Peter Marsh.

The company, a leader in this field, is supplying £10m (£16m) worth of magnetic bearings over the next 10 years to the operators of one of Europe's largest gas fields in the Netherlands.

The order has been placed by Nederlandse Aardolie Maatschappij (NAM), a company jointly owned by the Royal Dutch/Shell and Exxon oil companies.

It will enable the field near Groningen, which feeds natural gas to Dutch households and commercial premises, to continue production during the next decade without having to shut down for long periods of time by using pumping equipment with conventional mechanical bearings.

The order was described as a "breakthrough" by Mr Viv Fletcher, general manager of T&N's magnetic bearings division. "It will be used as a reference by many other groups which are considering using magnetic bearings in their equipment."

In the work for NAM, T&N is supplying its bearings to Siemens and Demag, two German companies which are supplying motors and compressors in work costing roughly £1bn.

Notice of Annual General Meeting of AGA

Shareholders of AGA AB (publ) are hereby summoned to the Annual General Meeting on Thursday, April 24, 1997, at 5 p.m. (local time). Location: Berwaldhallen, Strandvägen 69, Stockholm, Sweden.

NOTIFICATION OF ATTENDANCE
Shareholders intending to attend the Annual General Meeting, must be recorded as shareholders in the Shareholders' Register issued by the Swedish Securities Register Center (VPC AB) as at April 14, 1997. Shareholders whose shares are held in trust by a bank or a public broker must temporarily register their shares in their own names in the Shareholders' Register at VPC AB, to be able to attend the Annual General Meeting. Such registration must be completed not later than April 14, 1997. In addition, shareholders must notify the Company of their intention to attend the Meeting not later than 12 noon (local time) on Monday, April 21, 1997. Notification of intent to attend AGA AB, Legal Affairs, S-181 81 Lidingsjö, Sweden, or by tel. +46 8 731 11 18 or +46 8 731 13 31. Shareholders must be able to provide proof of their identity prior to entering the Meeting.

AGENDA
The following matters will be addressed at the Annual General Meeting:
1. Opening of the Meeting.
2. Election of a Chairman to preside over the Meeting. Board proposals: Former County Governor Ingvar Gullfält.
3. Verification of the voting list.
4. Election of persons to check and sign the Minutes.
5. Decision as to whether the Meeting has been duly convened.
6. Presentation of the Annual Report and the Auditors' Report, and the Consolidated Financial Statements and the Group Auditors' Report.

- Decisions**
1. Adoption of the Income Statement and Balance Sheet and of the Consolidated Balance Sheet.
 2. On appropriation of the Company's profit in accordance with the adopted balance sheet.
 3. On discharge from liability for the Board of Directors and the President.
 4. Determination of the number of directors and alternate directors to be elected by the shareholders.
 5. Proposal: The Board shall comprise 7 directors and no alternate directors.
 6. On fees for directors elected for the period until the next ordinary general meeting, and decision on fees for auditors elected for the period until the next ordinary general meeting.
 7. Proposal: Directors' fees shall total SEK 1.6 million and auditors shall be entitled to debit the Company for their fees and expenses on an ongoing basis.
 8. Election of directors.
 9. Proposal: Re-election of Sven Agre, Thomas Hedell, Sverker Mörén-Lind, Lennart Jonsson and Claes Rensander. Marcus Sörén and Hans-Eric Övén have declined re-election. Election of Lennart Selander and Peter Sjöstrand.
 10. Election of auditors.
 11. Proposal: Outrights Coopers & Lybrand AB.
 12. Closing of the Meeting.
- Proposals in paragraphs 8, 9, 10 and 11 are backed by shareholders who represent approximately 40% of all the votes in the Company.
- DIVIDEND**
The Board of Directors proposes that a dividend of SEK 2.70 per share be paid to shareholders, and that the record date for payment of dividends shall be April 29, 1997. If the Annual General Meeting so resolves, the dividend is expected to be distributed from VPC on May 7, 1997.
- Lidingsjö, April 1997
Board of Directors

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COMPAGNIE DE SUEZ

1996 NET INCOME OF FRF 843 MILLION OPERATING INCOME GAINS 38%

At its meeting of April 1 chaired by Gérard Mestrallet, the Board of Directors of Compagnie de Suez closed the accounts for the year ended December 31, 1996.

After minority interests, in FRF millions	1996	1995
Operating income at present structure	2,312	1,679
Impact of the real estate crisis	(2,541)	(5,003)
Net non-operating income (loss)	121	(658)
Income from discontinued operations	951	23
Net income (loss)	843	(3,959)

Consolidated net income for the year amounted to FRF 843 million, after 1) the FRF 961 million capital loss on the disposal of the entire portfolio of loans to real estate professionals and all its own property development projects and 2) a FRF 500 million provision on the AXA-UAP investment.

Société Générale de Belgique contributed FRF 1,126 million to consolidated net income.

Based on present structure, operating income rose by 38% over the year.

As forecast, Suez has returned to profit, led by the refocusing strategy implemented throughout 1996. The year saw three major events in line with this strategy:

- Société Générale de Belgique's acquisition of a further interest in Tractebel.
- The total sale of Banque Indosuez to Crédit Agricole.
- The sale of all the real estate loans to the Whitehall Fund.

Today, Compagnie de Suez is clearly refocused on two core businesses:

- Public utilities and infrastructures.
- Retail financial services.

I - Consolidated financial statements

1. Operating income at present structure: FRF 2,312 million

The Utilities Business (Tractebel and Lyonnaise des Eaux) enjoyed strong growth, with a contribution up 38% to FRF 742 million. The retail financial services business (Sofinco, Generale Bank and Fortis) also reported sustained improvement, with a 24% increase in its contribution to FRF 1,251 million.

2. Impact of the real estate crisis: (FRF 2,541 million)

CréditSuez reduced its net real estate commitments by FRF 6.2 billion during the year, resulting in an aggregate capital loss of FRF 2.5 billion. In addition, a property trust has been created to manage fully-owned rented assets, which offer a yield of more than 7% on assets worth a net FRF 3.1 billion.

Thus, net real estate commitments have been reduced to FRF 4.8 billion at December 31, 1996.

3. Net non-operating income: FRF 121 million

Non-operating income of FRF 791 billion corresponded to capital gains on the sale of certain non-strategic assets, notably Salins du Midi, Financière Desjardins Laurentienne, Wafabank and IMS. Non-operating losses of FRF 670 million included a FRF 500 million provision on the AXA-UAP investment.

4. Income from discontinued operations: FRF 951 million

The contribution from discontinued operations includes their operating income, non-operating income and the capital gain on their disposal. The main contributions were from Banque Indosuez (FRF 300 million) and Gartmore (FRF 505 million).

II - Parent company accounts

Net income from ordinary operations amounted to FRF 2,213 million. After capital gains on the sale of assets (primarily the FRF 3,403 million gain on the sale of Banque Indosuez) and a FRF 2,520 million provision on CréditSuez shares, the parent company reported net income of FRF 3,058 million for the year, compared with a FRF 3,559 million loss in 1995.

III - Dividend

The Board of Directors has approved the payment of an exceptional dividend to take into account the large capital gain realized by the parent company on the sale of Banque Indosuez. The dividend will be paid entirely in cash as of June 26, 1997, the ex-dividend date.

IV - Outlook for 1997

The first months of the year have seen the disposals of the Company's interest in Factofrance Heller and of Société Générale de Belgique's interest in Accor. These sales will result in a consolidated capital gain of more than FRF 750 million in 1997. In addition the Boards of Directors of Tractebel and Powerfin announced in March that the merger of their two companies is now underway. At the end of the process, Société Générale de Belgique will own 50.3% of Tractebel.

Groupe Suez expects to report further growth in operating income in 1997.

V - Proposed merger between Compagnie de Suez and Lyonnaise des Eaux

The Chairman informed the Board of Directors of the proposed merger between Compagnie de Suez and Lyonnaise des Eaux, which the Board has been asked to discuss at a special meeting called for April 11. The Board responded favorably to the proposal and unanimously approved the principle of a merger.

April 1, 1997

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7.27	8.74	17.53
-0.59	-0.76	-0.27
-2.65	-2.59	-1.27
9.48	11.23	22.01
-0.56	-4.8	-0.27
-7.2	-2.9	-0.27
20.4	20.1	27.5

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lower. Markets always overshoot on the upside; each time, this process is misinterpreted as a permanent adjustment to higher sustainable growth. There may be more such overshooting to come. Eventually, however, the consensus will adapt to the fact that this time reality is no different. The past week may mark the point at which this realization started to dawn.

German bank set to advance by 33%

■ Further evidence of how startling a surge is effective

Thursday when AMEC, the world's largest concrete producer, reports pre-tax profits of about £265m, down from £341.7m. With sizeable operations in Germany, analysts estimate that about £25m of that profits fall have been caused by translating D-Mark profits into sterling at year-end rates.

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Privatisation issues buck trend

cent of OTE, the telecommunications company, aiming to raise about \$1bn. Finally, publication is expected today of a prospectus outlining the terms for the sale of a fifth tranche in Repsol, the Spanish oil and gas company. The

Moreover, over the next few weeks European privatisations will gather pace. The Portuguese government will get its first big privatisation of the year under way next

month, when the sale of Electricidade de Portugal begins. Bankers planning the sale of France Telecom, the French telecommunications company, begin road shows in Paris on May 6.

"The big visible calendar is in the privatisations. Ambitious plans are unlikely to be derailed by this correction," said Mr Harry Hampson, syndicate manager at JP Morgan in London.

FT/S&P ACTUARIES WORLD INDICES

The FTSE Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International Limited and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

FRIDAY, APRIL 4, 1997										THURSDAY, APRIL 3, 1997									
US Dollar		Yr/yr	Pound	Yr/yr	DM	Local	Local %	% Gross	US Dollar	Yr/yr	Pound	Yr/yr	DM	Local	Local %	% Gross			
Index		Starring	Index	Starring	Index	Currency	Index	Starring	Index	Starring	Index	Starring	Index	Currency	Index	Starring			
15/12/96		15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96	15/12/96			
Belgium (78)	-34.18	-3.5	183.57	168.06	169.00	183.50	-1.2	-1.4	174.21	193.50	166.22	165.79	128.25	126.77	188.44	186.79			
Australia (29)	-1.62	-1.2	213.57	142.15	157.80	157.78	3	1.85	184.24	164.80	141.29	158.79	132.65	125.04	170.74	163.71			
Canada (22)	-236.21	-2.5	200.57	158.48	158.48	158.48	0	0.00	200.57	158.48	158.48	158.48	158.48	158.48	158.48	158.48			
Brazil (30)	-244.04	-28.7	226.56	191.49	212.68	212.68	-2.1	-2.1	203.91	213.13	183.06	210.22	147.43	204.34	205.80	210.22			
China (114)	-169.58	-3.5	169.58	143.82	143.82	143.82	0	0.00	169.58	143.82	143.82	143.82	143.82	143.82	143.82	143.82			
France (25)	-258.41	-0.1	221.66	222.62	213.57	207.06	8.0	1.83	264.29	320.04	274.91	307.29	308.83	268.92	299.81	298.57			
Finland (28)	-245.48	-0.1	221.66	222.62	213.57	207.06	8.0	1.83	264.29	320.04	274.91	307.29	308.83	268.92	299.81	298.57			
Germany (91)	-214.81	-3.1	184.14	138.56	138.56	138.56	0	0.00	184.14	138.56	138.56	138.56	138.56	138.56	138.56	138.56			
Italy (28)	-222.62	-3.0	177.14	154.31	171.34	171.34	-12.8	-1.85	158.56	178.55	152.00	169.90	137.50	165.75	184.74	174.77			
Japan (22)	-193.68	-12.8	244.12	203.18	203.18	203.18	-12.8	-1.85	244.12	203.18	203.18	203.18	203.18	203.18	203.18	203.18			
Hong Kong (22)	-122.8	-3.0	177.14	154.31	171.34	171.34	-12.8	-1.85	158.56	178.55	152.00	169.90	137.50	165.75	184.74	174.77			
India (28)	-308.00	-0.9	284.66	255.83	284.00	291.53	5.3	2.26	325.53	284.06	262.90	164.98	301.01	284.06	262.90	164.98			
Israel (28)	-85.78	-2.8	77.76	67.31	74.74	108.23	12.1	2.16	85.78	77.76	67.31	74.74	108.23	12.1	2.16				
Italy (28)	-12.7	-1.2	177.14	154.31	171.34	171.34	-12.8	-1.85	158.56	178.55	152.00	169.90	137.50	165.75	184.74	174.77			
Malaysia (27)	-567.18	-3.0	612.50	445.05	445.05	445.05	-3.0	-3.0	612.50	445.05	445.05	445.05	445.05	445.05	445.05	445.05			
Mexico (20)	-1393.94	-3.0	526.50	104.63	104.63	104.63	-3.0	-3.0	526.50	104.63	104.63	104.63	104.63	104.63	104.63	104.63			
Netherlands (19)	-353.62	-0.3	353.62	283.26	283.26	283.26	0	0.00	353.62	283.26	283.26	283.26	283.26	283.26	283.26	283.26			
Norway (11)	-356.92	-0.2	75.85	65.85	73.12	64.55	-8.4	-4.0	84.98	76.22	63.47	73.18	64.98	65.85	71.90	65.94			
Sweden (16)	-356.92	-0.8	268.26	228.26	228.26	228.26	-0.8	-0.8	268.26	228.26	228.26	228.26	228.26	228.26	228.26	228.26			
Philippines (22)	-165.15	-6.1	175.34	142.39	142.39	142.39	-6.1	-6.1	175.34	142.39	142.39	142.39	142.39	142.39	142.39	142.39			
Singapore (43)	-330.21	-6.1	355.38	300.54	301.59	280.37	-3.8	-1.0	309.64	355.38	300.54	280.37	271.11	381.23	238.92	239.11			
South Africa (14)	-159.82	-12.8	244.12	203.18	203.18	203.18	-12.8	-1.85	244.12	203.18	203.18	203.18	203.18	203.18	203.18	203.18			
Spain (28)	-356.92	-0.8	268.26	228.26	228.26	228.26	-0.8	-0.8	268.26	228.26	228.26	228.26	228.26	228.26	228.26	228.26			
Sweden (16)	-159.82	-12.8	244.12	203.18	203.18	203.18	-12.8	-1.85	244.12	203.18	203.18	203.18	203.18	203.18	203.18	203.18			
Switzerland (28)	-232.62	-6.3	228.22	196.01	220.96	225.14	-1.3	-1.65	228.22	196.01	220.96	225.14	228.22	196.01	220.96	225.14			
Thailand (43)	-84.87	-11.4	77.76	67.31	74.74	108.23	-10.2	-3.5	84.87	77.76	67.31	74.74	108.23	-10.2	-3.5				
United Kingdom (21)	-277.85	-1.9	251.12	218.02	242.07	251.12	2.4	0.91	276.48	249.65	214.25	226.67	249.65	214.25	226.67	249.65			
USA (553)	-307.50	1.9	276.48	249.65	214.25	226.67	1.9	1.96	304.84	276.53	230.76	230.76	304.84	276.53	230.76	230.76			
Armenia (224)	-91.64	2.0	254.20	220.99	243.57	237.22	2.1	1.65	278.85	251.92	216.39	241.88	254.20	220.99	243.57	237.22			
Australia (29)	-291.82	-1.2	213.57	142.15	157.80	157.78	2.4	2.88	229.89	216.78	181.14	208.05	213.57	142.15	157.80	157.78			
Canada (22)	-236.21	-2.5	200.57	158.48	158.48	158.48	0	0.00	200.57	158.48	158.48	158.48	158.48	158.48	158.48	158.48			
Europe-Brazil (263)	-151.82	-11.3	110.13	105.43	114.84	102.17	-0.7	-1.42	122.91	107.20	101.11	114.22	105.43	114.84	102.17	105.43			
Asia-Pacific (1809)	-177.13	-3.0	169.09	139.98	154.22	146.48	0.8	0.21	177.97	169.09	139.98	154.22	146.48	0.8	0.21				
North America (707)	-299.59	1.9	276.48	249.65	214.25	226.67	1.9	1.97	291.21	269.39	235.95	267.69	276.48	249.65	214.25	226.67			
Asia-Pacific (1809)	-177.13	-3.0	169.09	139.98	154.22	146.48	0.8	0.21	177.97	169.09	139.98	154.22	146.48	0.8	0.21				
World Ex. UK (2269)	-180.57	-4.3	163.20	141.89	157.32	152.41	-1.1	-1.19	163.20	141.89	157.32	152.41	163.20	141.89	157.32	152.41			
World Ex. UK (2269)	-180.57	-4.3	163.20	141.89	157.32	152.41	-1.1	-1.19	163.20	141.89	157.32	152.41	163.20	141.89	157.32	152.41			
World Ex. Japan (1809)	-278.00	0.8	249.65	216.57	240.48	235.94	3.1	2.51	274.35	247.93	212.71	237.76	249.65	216.57	240.48	235.94			
The World Index (2477)	-228.00	-1.5	169.09	173.28	192.39	186.85	1.4	2.06	220.23	198.56	170.91	191.03	169.09	173.28	192.39	186.85			

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Continued on next page

NYSE PRICES

Stock	High	Low	Open	Close	Change
IBM	125.25	124.75	125.00	124.75	-0.25
Microsoft	55.25	54.75	55.00	54.75	-0.25
Oracle	45.25	44.75	45.00	44.75	-0.25
SAP	115.25	114.75	115.00	114.75	-0.25
Sun	105.25	104.75	105.00	104.75	-0.25
HP	95.25	94.75	95.00	94.75	-0.25
Motorola	85.25	84.75	85.00	84.75	-0.25
Intel	75.25	74.75	75.00	74.75	-0.25
AMD	65.25	64.75	65.00	64.75	-0.25
Nvidia	55.25	54.75	55.00	54.75	-0.25
ATI	45.25	44.75	45.00	44.75	-0.25
3Com	35.25	34.75	35.00	34.75	-0.25
Linksys	25.25	24.75	25.00	24.75	-0.25
Netgear	15.25	14.75	15.00	14.75	-0.25
TP-Link	10.25	9.75	10.00	9.75	-0.25
Belkin	5.25	4.75	5.00	4.75	-0.25
NetScout	4.25	3.75	4.00	3.75	-0.25
NetMiner	3.25	2.75	3.00	2.75	-0.25
NetSentry	2.25	1.75	2.00	1.75	-0.25
NetGuard	1.25	0.75	1.00	0.75	-0.25
NetShield	0.25	0.00	0.00	0.00	0.00

AMEX PRICES

Stock	High	Low	Open	Close	Change
IBM	125.25	124.75	125.00	124.75	-0.25
Microsoft	55.25	54.75	55.00	54.75	-0.25
Oracle	45.25	44.75	45.00	44.75	-0.25
SAP	115.25	114.75	115.00	114.75	-0.25
Sun	105.25	104.75	105.00	104.75	-0.25
HP	95.25	94.75	95.00	94.75	-0.25
Motorola	85.25	84.75	85.00	84.75	-0.25
Intel	75.25	74.75	75.00	74.75	-0.25
AMD	65.25	64.75	65.00	64.75	-0.25
Nvidia	55.25	54.75	55.00	54.75	-0.25
ATI	45.25	44.75	45.00	44.75	-0.25
3Com	35.25	34.75	35.00	34.75	-0.25
Linksys	25.25	24.75	25.00	24.75	-0.25
Netgear	15.25	14.75	15.00	14.75	-0.25
TP-Link	10.25	9.75	10.00	9.75	-0.25
Belkin	5.25	4.75	5.00	4.75	-0.25
NetScout	4.25	3.75	4.00	3.75	-0.25
NetMiner	3.25	2.75	3.00	2.75	-0.25
NetSentry	2.25	1.75	2.00	1.75	-0.25
NetGuard	1.25	0.75	1.00	0.75	-0.25
NetShield	0.25	0.00	0.00	0.00	0.00

NASDAQ NATIONAL MARKET

Stock	High	Low	Open	Close	Change
IBM	125.25	124.75	125.00	124.75	-0.25
Microsoft	55.25	54.75	55.00	54.75	-0.25
Oracle	45.25	44.75	45.00	44.75	-0.25
SAP	115.25	114.75	115.00	114.75	-0.25
Sun	105.25	104.75	105.00	104.75	-0.25
HP	95.25	94.75	95.00	94.75	-0.25
Motorola	85.25	84.75	85.00	84.75	-0.25
Intel	75.25	74.75	75.00	74.75	-0.25
AMD	65.25	64.75	65.00	64.75	-0.25
Nvidia	55.25	54.75	55.00	54.75	-0.25
ATI	45.25	44.75	45.00	44.75	-0.25
3Com	35.25	34.75	35.00	34.75	-0.25
Linksys	25.25	24.75	25.00	24.75	-0.25
Netgear	15.25	14.75	15.00	14.75	-0.25
TP-Link	10.25	9.75	10.00	9.75	-0.25
Belkin	5.25	4.75	5.00	4.75	-0.25
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NetMiner	3.25	2.75	3.00	2.75	-0.25
NetSentry	2.25	1.75	2.00	1.75	-0.25
NetGuard	1.25	0.75	1.00	0.75	-0.25
NetShield	0.25	0.00	0.00	0.00	0.00

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Company	Mid price	Change	Volume	High	Low
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Advanco Systems	100.00	+0.15	500	100.15	99.85
Advanco Systems	100.00	+0.15	500	100.15	99.85
Advanco Systems	100.00	+0.15	500	100.15	99.85

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FT GUIDE TO THE WEEK

MONDAY

EU acts on human rights

Human rights in the European Union and animal testing for cosmetics are among the subjects under discussion at this week's session of the European Parliament in Strasbourg (to Apr 11). The annual report on human rights expresses concern at an "erosion" of rights in parts of the EU. Greece, Ireland and the UK come under fire on issues such as abortion, the prevention of terrorism and the rights of conscientious objectors. MEPs are also expected to call for strict labelling of genetically modified maize. On Wednesday, the house will consider how to reduce car pollution.

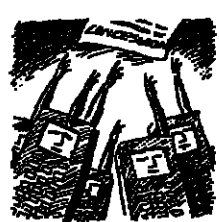
Launch of Euroceptics

The UK Independence party launches its election manifesto. The Eurosceptic fringe party, which has 210 candidates standing, believes in Britain's immediate withdrawal from the EU. The launch will be conducted by Alan Sked, the party's leader, who is also a professor of international history at the London School of Economics.

Polish president sees Pope

Aleksander Kwasniewski, the Polish president, meets Pope John Paul II in the Vatican in an attempt to repair relations with the Catholic church before a papal visit to his native country in May. The pontiff is disappointed that Poland's parliament has failed to date to ratify a concordat signed in 1983. Mr Kwasniewski, meanwhile, is keen to broker a compromise allowing his hitherto reluctant former communist Left Democratic Alliance to vote the concordat through - thereby defusing Church opposition before this autumn's elections.

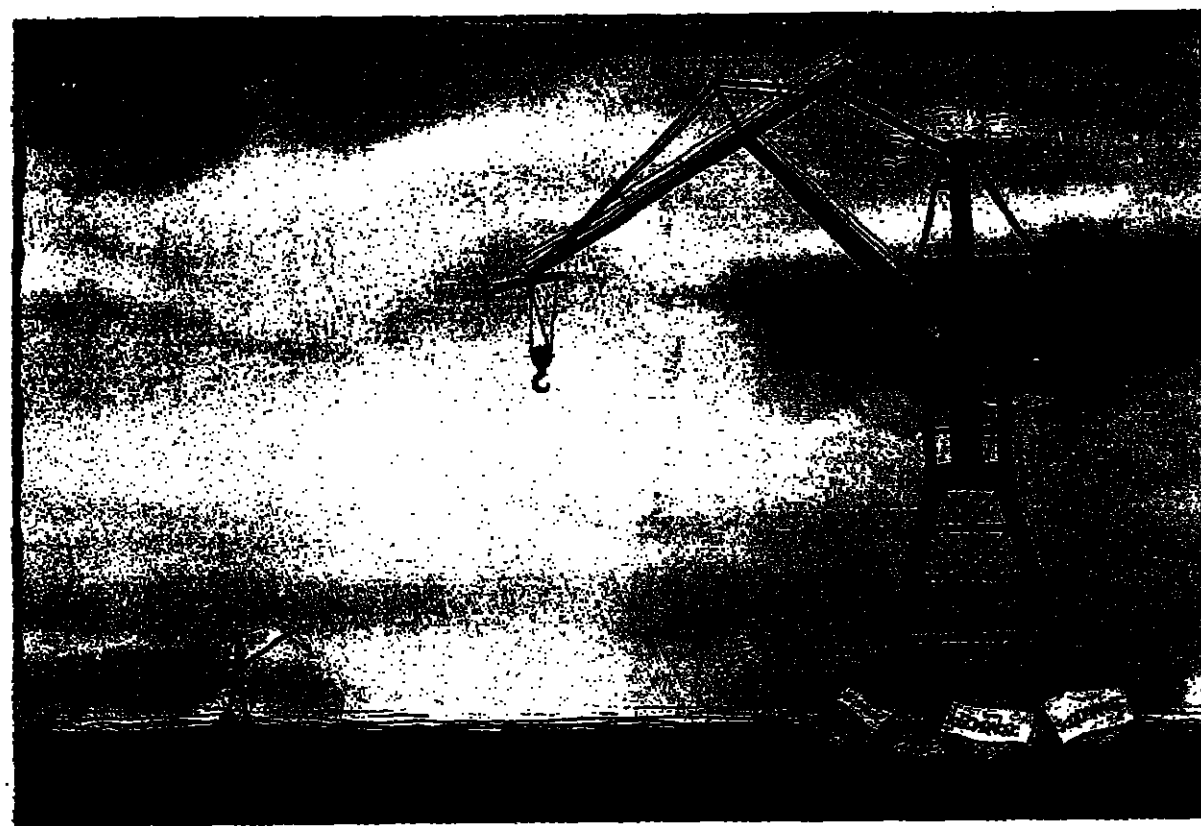
Brazil takes telecoms bids



Brazil accepts bids for 10 concessions to operate cellular telephone services, to compete with existing ones offered by the public network. This marks the start of privatisation of Brazil's federally controlled telecoms services, which the government says will attract \$100bn (\$62.5bn) of investment over the next six years. The ministry hopes, optimistically, that the first private cellular services will be operating by the end of this year, and that the entire network will be in private hands by the end of 1998.

Netanyahu in Washington

Benjamin Netanyahu, the Israeli prime minister, will today hold crucial talks in Washington with US president Bill Clinton. The US will attempt to put the peace process back on track but Mr Netanyahu has insisted he is not prepared to back down on building a



All shipped up: the future looks bleak for Gdansk shipyard as the Polish government struggles to find building orders in the wake of civil unrest

new Jewish settlement at Har Homa in east Jerusalem, a move which led to the virtual suspension of all contacts between Israelis and Palestinians and renewed violence between both sides.

Quest of the non-aligned

The Non-Aligned Movement will continue its quest for post-cold-war relevance in Delhi, where 70 foreign ministers from the 112-nation movement gather for a two-day summit. Reform of the United Nations and nuclear disarmament are expected to dominate the agenda. India's political crisis has put paid to hopes that the meeting might further thaw relations between the summit's host and Pakistan.

Cohen visits Japan

William Cohen, the US defence secretary, arrives for talks with Japanese leaders (to Apr 9). The main topic will be the US bases in Okinawa, the subject of heated political debate and public protest in Japan. Many of the leases for US bases expire next month and 3,000 land owners are refusing to renew them. Ryutaro Hashimoto, the prime minister, has put a bill to parliament which would allow continued compulsory land leases for the US military in Okinawa. Meanwhile, tensions have heightened after an alleged sexual assault by a US serviceman in Japan last week.

Japan seeks fishing deal

Japan and Russia begin negotiations in Moscow over Japanese fishing operations near disputed islands off Hokkaido. The islands, known in Russia as the Kuriles, and in Japan as the Northern Territories, have been

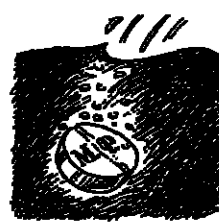
under Russian control since the end of the second world war, but Japan has pressed its claim more strongly since the collapse of the USSR. After clashes between Japanese fishing boats and Russian coastguards, both sides have been looking for a way to allow fishing to go ahead peacefully, without making basic concessions. The solution will almost certainly involve payments by Japanese fishermen to Russia.

Public holidays

Armenia, Mozambique, Nepal, Rwanda, Sudan, Thailand.

TUESDAY 8

UK parliament dissolves



The UK parliament formally dissolves, with existing MPs losing their titles. Those seeking re-election take on the same status as other parliamentary candidates. Parties can present candidates up until April 16.

Plaid Cymru manifesto

Plaid Cymru, the Welsh nationalist party, launches its UK election manifesto. At the 1992 election, Plaid won 9 per cent of the Welsh vote, gaining four seats in the House of Commons. Dafydd Wigley, its leader, says Wales needs a parliament to bring its services "under democratic control" and give its nation "a voice in Europe".

Fight to protect folklore

Folklore and intellectual property experts begin a three-day meeting in Phuket, Thailand, to discuss better protection of folklore from piracy by commercial interests. Many developing countries want a binding treaty to replace the present recommendations by the Geneva-based World Intellectual Property Organisation and the UN Educational, Scientific and Cultural Organisation (Unesco) in Paris. Foe nations argue that protection is needed to stop their traditional songs, literature and crafts being used freely, depriving indigenous populations of royalties or the means to earn a living.

Public holiday

Mauritius.

WEDNESDAY 9

Chirac in Bonn

Europe's planned single currency, the Euro, as well as revisions to the Maastricht treaty and the proposed eastward expansion of Nato will be on the agenda when France's President Jacques Chirac arrives in Bonn for an informal meeting with Helmut Kohl, the German chancellor.

Philippine peace talks

Peace talks between the Philippine government and the Moslem rebel group Moro Islamic Liberation Front (MILF) begin in Cotabato City, two months after a shoot-out which killed 37 rebels and members of security forces. The MILF is the most heavily armed of the Moslem rebel groups that have yet to conclude a peace

agreement. It is demanding a separate Moslem state. Last September, the government signed a peace deal with the larger Moro National Liberation Front. The government hopes to sign a peace treaty with the MILF by June.

Gas chase in S China sea

China and Vietnam hold talks in Beijing to tackle their dispute over sovereignty of a potentially gas-rich area in the South China sea. The area lies between China's southern island province of Hainan and Vietnam's central coast. The Vietnam authority demanded China stop its operation of the Xan Tan III oil rig within the area in March. However, China refused.

FT Surveys

Russia; Danish Banking and Finance.

Public holidays

Georgia, Philippines, Tunisia.

THURSDAY 10

WTO push in banking

Negotiations resume in Geneva on a multilateral agreement to liberalise trade in financial services such as banking, insurance and securities dealing. World Trade Organisation talks were broken off in 1995 after the US refused to take part, arguing other countries' offers were not good enough. An interim agreement, without the US, expires in December. Following the recent success of WTO negotiations on liberalising telecoms services and eliminating tariffs on information technology products, hopes are high that a financial services deal - with the US - may be reached this year.

EU debate on consumers

EU consumer affairs ministers meet in Luxembourg for a session on how the European single market affects consumer interests. Ministers will hold a public debate on consumer protection, as well as discuss regulations on consumer credit and protection in the financial services sector.

Saleroom



The bag in which the explorer Sir Ernest Shackleton boarded a Christmas pudding - plus the twig of artificial holly to decorate it - on his first journey to the Antarctic in 1902 comes up for sale at Christie's in London. Up to \$1,500 is expected for the mementoes. Eight paintings by George Marston, the official artist on Shackleton's 1914-1917 trans-Antarctic expedition are expected to make up to \$30,000 each. The colour box of a more unlikely artist, Captain Bligh of the Bounty, is also in the sale.

Golf

US Masters at Augusta, Georgia (to Apr 13).

FRIDAY

Solidarity rally in Poland

More than 20,000 people are expected to attend a rally in Warsaw protesting against the closure of the bankrupt Gdansk shipyard. The rally has been called by the Solidarity trade union, which is angered at the government's failure to save its birthplace. Solidarity, which has emerged as the strongest opposition force in Poland, sees the march as part of a political campaign ahead of elections this autumn.

FT Surveys

Clocks, Watches and Jewellery; Investing in Central and Eastern Europe; Tax Self-Assessment (UK only).

Public holidays

Costa Rica, Liberia.

SATURDAY 12

Soccer

The soccer season starts in Japan. J-League - Japan's professional football league - will be trying to boost the game's popularity in preparation for the 2002 World Cup, which Japan is to host jointly with South Korea. J-League was launched in a blaze of publicity four years ago, and initially attracted droves of enthusiastic supporters, particularly young women. Last year, however, attendances were down by 21 per cent, and revenues and TV ratings also dropped.

SUNDAY 13

Elections in Croatia

Elections for regional and municipal councils are to be held throughout Croatia - including the Serb-held enclave of eastern Slavonia. Eastern Slavonia, from which Croats were expelled six years ago, is due to return to Zagreb's control by July. The UN Transitional Authority, which is supervising the polls in eastern Slavonia, has stepped up security since an attack by Serb extremists on candidates of President Franjo Tudjman's HDZ party.

Marathon

The seventeenth London marathon takes place, over 25.2 miles.

Motor racing

Argentine grand prix, Buenos Aires.

Compiled by Simon Strong.
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ECONOMIC DIARY

Other economic news

Monday: Italy's final consumer price index for March is likely to be 2.5 per cent, continuing the Italian economy's rapid fall in inflation. At the start of 1996 it was around 6 per cent. The fall increases pressure for interest rate cuts by the Italian central bank.

Tuesday: German unemployment is tipped to take a big tumble of around 300,000 off the jobs total, as March's mild weather saw a pick-up in construction activity.

Wednesday: UK industrial production figures for February look like continuing the steady but unspectacular growth in the sector, although the strength of sterling may have hit exports. Analysts expect annual growth of just above 2 per cent.

Thursday: The UK's chancellor of the exchequer meets the governor of the Bank of England to discuss monetary policy. With three weeks until the general election, a rate rise is unlikely.

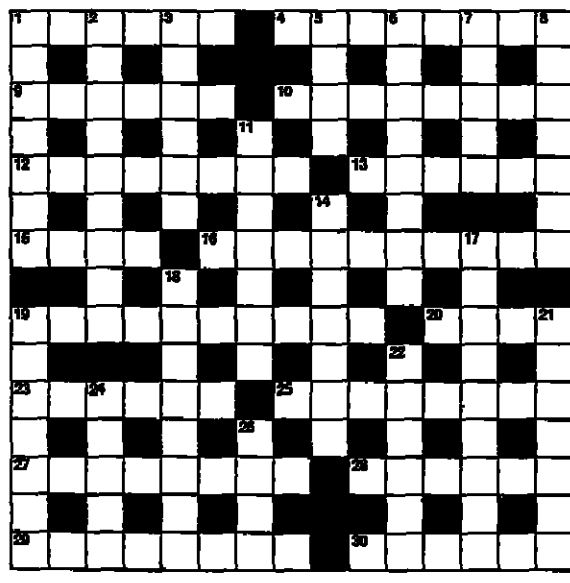
Friday: Producer price inflation and retail sales data are released in the US, while France and Spain announce consumer price inflation for March.

Statistics to be released this week

Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual	Day	Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	Italy	March CPI (ex-tobacco)	0.1%	0.1%	Italy	Feb ex-EU trade balance	£2,500bn	US	March retail sales ex-auto	0.3%	0.3%
April 7	Italy	March CPI (ex-tobacco)	2.2%	2.4%	US	Initial claims April 5	314,000				
	Canada	Feb building permits	-1.5%	8.5%	US	State benefits March 29	2.8%				
	US	Feb consumer credit	\$7bn	\$8.4bn	Canada	March raw materials price index	-1%	-3.9%			
	Japan	March overall WPI	-0.1%	-0.5%	US	M1 week ended March 31	\$5.2bn				
	Japan	March overall WPI	1.6%	1.8%	US	M2 week ended March 31	\$1.8bn				
	Japan	March domestic WPI	-0.2%	-0.2%	US	M3 week ended March 31	\$0.3bn				
Tues	Switzerland	March unemployment rate	5.8%	5.7%	US	March monthly M1	\$800bn				
April 8	Germany	March unemployment, incl-Germany	-20,000	5,000	US	March monthly M2	\$16.4bn				
	Germany	March unemployment, west	-10,000	-4,000	US	March monthly M3	\$36.6bn				
	Germany	March unemployment, east	-10,000	9,000	Fri	France	March CPI provisional	0.3%	1.02%		
	Germany	Jan unemployment, west	-75,000	28,000	April 11	France	March CPI provisional	1.3%	1.6%		
	Germany	March vacancies, west	9,000	9,000	US	March retail sales	0.6%	0.6%			
	Germany	March shortfalls, west, net	27,000	27,000	US	March retail sales ex-auto	0.5%	0.5%			
	Canada	March housing starts, units	155,000	159,000	US	March PPI	unchanged	-0.4%			
	US	BOT-Mitsubishi April 5	0.6%	0.6%	US	March PPI, ex-food & energy	0.1%	-0.1%			
	US	Feb wholesale trade	1%	1%	US	APR. Michigan Sentiment Preliminary	88.9	100.0			
	US	Feb book April 5	0.8%	0.8%	US	March bank credit	22.2%				
Wed	UK	Feb industrial production	0.2%	0.0%	US	March C&I loans	14.7%				
April 9	UK	Feb industrial production	2.2%	2.4%	Russia	March PPI	1.6%				
	UK	Feb manufacturing output	0.3%	0.3%							
Thurs	Japan	Feb mchry odrs (ex-electricity & ships)	7.5%	14.8%							
April 10	Japan	Feb mchry odrs (ex-electricity & ships)	-4%	-11.8%							
	France	March house household survey	-28	29							
	Italy	Jan EU trade balance	£700bn	£100bn							

- ACROSS**
- Opening back door into sunbathing area (6)
 - Stirrer reserved one a spot (3)
 - The story's heartless supposition (6)
 - Wire if rejecting complaint (8)
 - Gathering for a grand church service, home in (8)
 - On leaving employment many will be inactive (6)
 - Therefore head office is somewhere in London (4)
 - Named plan to have date amended (10)
 - State of dress of attractive person liable to collapse (10)
 - Annoying child starts running into sports club (4)
 - Piercing a window ledge takes little time (6)
 - Giving him a bone transplant is unconventional (8)
 - People staggering as in a bar (8)
 - Hurl one article inside a banger? (6)
 - Unidentified article backed me without (8)
 - Even improved ruler's appearance (6)

- DOWN**
- Elizabeth beams but is disloyal (7)
 - May flutter if US city girl looks round! (9)
 - Stroke worries old Bob (6)
 - Leave it after quarter to ten (4)
 - Dawn is to confess - call girl in (8)
 - Finished with tin-opener when open? (5)
 - Spotted it, comed off (7)
 - In winter impose something temporary (7)
 - Spoilsport found 'The King and I' awfully jolly (7)
 - Stop making arrangements to meet train (8)
 - Degree students miss retriever at Wimbledon (4)
 - Slight row about said arrangement (7)
 - Snack one topless girl here! (7)
 - Scold and beat half of class (6)
 - Genuine Frenchman's field (6)
 - Burden a person used to hide (4)



WINNERS 9,332: C. Walden, Barrington, Cambridge-shire; Mrs M.E. Dyer, Harrogate; P. Hutchinson, London SE4; D. Makins, Boston, Lincolnshire

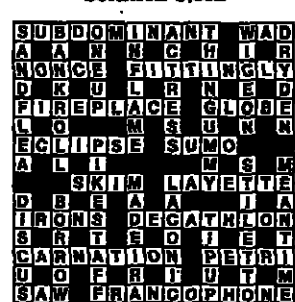
MONDAY PRIZE CROSSWORD

No.9,342 Set by GRIFFIN

Six bottles of Davys Celebration Champagne for the first correct solution opened and three runner-up prizes of \$40 Davys food and wine vouchers redeemable in person or by post. These prizes are available only to winners living in England, Scotland and Wales. Winners with overseas addresses will receive a set of silver-plated place name bases and cards. Solutions by Thursday April 17, marked Monday Crossword 9,342 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday April 21. Please allow 28 days for delivery of prizes.

Name _____
Address _____

Solution 9,332



SHAREHOLDERS IN PLM AB (publ)

Notice is hereby given that the Annual General Meeting of PLM AB (publ) will be held on Wednesday, April 23, 1997 at 4:30 p.m. at the Scania Convention Centre, Malmö Trade Fair (in Cockums shipyard), V. Varvsgatan 10, in Malmö, Sweden.

Right to participate

To participate in the meeting, shareholders must be on the list of shareholders maintained by the Swedish Securities Register Centre (VPC) in Stockholm by Friday, April 11, 1997. Shareholders whose stock has been registered in the name of trustees must arrange in good time to have their stock re-registered in their own names no later than Friday, April 11, 1997, if they wish to participate in the meeting. Notification of intention to participate must be given no later than 3:00 p.m. on Friday, April 18, 1997 by telephone on +46 40 20 90 00 or by fax on +46 40 20 90 41.

Malmö, April 1997
PLM AB (publ)
Board of Directors

PLM

Box 636, SE-201 80 Malmö, Tel. +46 40 20 90 00
Sweden • Norway • Denmark • UK • Germany • Finland
Netherlands • France • Austria • Czech Republic

EUROPEAN SMALLER COMPANIES FUND SICAV

8 AVENUE MARIE-TERESE / L-2132 LUXEMBOURG R.C. LUXEMBOURG B No 20.093.

Meets shareholders are hereby convened to attend the Annual General Meeting which will be held on April 22nd, 1997 at 03.00 p.m. at the registered office with the following agenda:

- Submission of the reports of the Board of Directors and of Authorized Independent Auditor;
- Approval of the balance sheet and the profit and loss statement as at December 31st, 1996 and allocation of results;
- Discharge to the Directors in respect of the carrying out of their duties during the fiscal year ended December 31st, 1996;
- Re-election of the Authorized Independent Auditor for a new term of one year;
- Miscellaneous.

The shareholders are advised that no quorums for the items on the agenda is required and that the decisions will be taken at the majority of the shares present or represented at the Meeting. Each share is entitled to one vote. A shareholder may act at any Meeting by proxy.

By order of the Board of Directors

JOTTER PAD